

Annual Report 2010

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS



IOSCO MEMBERS' OBJECTIVES

- to cooperate in developing, implementing and promoting adherence to internationally recognised 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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Report from the Chairman of the Executive Committee

Jane Diplock AO

> Chairman of the Executive Committee Chairman, New Zealand Securities Commission

As this is my last report as Chair of the Executive Committee, it provides me with an opportunity to reflect on where we have come from and where we may go.

Progress of the Reform Programme

A reform programme enabling IOSCO to efficiently play its role in the new global financial system and modernised architecture for international economic cooperation was launched in 2008. The past year has seen the implementation of much of this reform programme.

In 2009 the membership endorsed a revised mission statement and a set of operational goals and priorities to guide IOSCO's activities, and that in order to implement these priorities IOSCO needed more resources and a streamlined organisational structure. At the 2011 Annual Conference in Cape Town, the structural and funding adjustments developed in consultation with members were endorsed. Further consultation on a number of other issues is underway.

IOSCO aims to maintain and improve the international regulatory framework for securities markets via the setting of international standards; to identify and address systemic risks to the fair and efficient functioning of markets; as well as to strengthen our role within the international financial community in order to advance the implementation of the high-level IOSCO *Objectives and Principles of Securities Regulation* (IOSCO Principles). To meet these goals, we are engaged in building members' regulatory capacity, developing ongoing international standards and supporting the development of the international enforcement and surveillance framework.

The restructuring of the organisation removes the obsolete distinction between the needs of developed and emerging markets, simplifies the decision-making process and rationalises IOSCO's structure around its key functions, while still building on the positive features of the arrangements that have served us well over the years. Effective from the annual meeting of 2012, the governance, standards setting, and development functions of the organisation will merge into a new single



committee, the IOSCO Board. The IOSCO Board will therefore replace the current Executive and Technical Committees and the Advisory Board of the Emerging Markets Committee.

The IOSCO Board will be directly responsible for IOSCO's governance, strategy and representation. It will also



oversee the organisation's activities including policy and standards setting, regulatory capacity building, and market development as well as outreach and research.

The Board will consist of member regulators of some of the largest and most sophisticated markets, currently forming the Technical Committee, and others elected through the Emerging Markets Committee and the Regional Committees.

The four Regional Committees are also likely to play a greater role as the primary forum for consultation on IOSCO work and strategies, regional outreach to members, and information exchange. The Emerging Markets Committee will continue to organise conferences and provide input on market development and regulatory capacity building.

Regarding funding, members had expressed a preference for a differential fee structure based on objective criteria broadly directed at capacity to pay. This new model will come into force in 2012.

These key decisions have benefited greatly from the input of all members. I take this opportunity to thank my fellow Executive Committee and Strategic Direction Task Force members for their outstanding leadership in this exercise, and all our members for their constructive comments and contribution.

Other 2010 Activities

Meeting the MMoU Strategic Goal

Where IOSCO has been most successful and globally recognised is in its effective improvement of cross-border enforcement of securities regulation. IOSCO's Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) is the recognised international benchmark for cross-border co-operation aimed at combating violations of securities laws and regulations. It represents a common understanding amongst its signatories about how they will consult, cooperate, and exchange information for regulatory enforcement purposes.

In 2010 IOSCO's membership resolved that, by 2013, all member regulators should have addressed the impediments that prevent them from becoming signatories so that they all can participate fully in the effort to combat cross-border securities market misconduct.

Since then, no less than 10 jurisdictions have removed these obstacles, bringing the number of IOSCO MMoU signatories to 80. This represents two-thirds of member jurisdictions spanning all regions, whilst progress is being made in the 37 member jurisdictions who have committed to addressing impediments, with IOSCO providing resources including technical assistance as required.



Intensive dialogue with securities regulators from underregulated or uncooperative jurisdictions is helping ensure, through persuasion, encouragement and advice, that they too develop the capacity to meet the MMoU international cooperation standard and have the practical ability to implement those standards even if they are not IOSCO members.

New Focus on Systemic Risk

IOSCO is keenly aware of systemic risk and a key element of the new strategic direction endorsed last year is the development of an independent research function that will benefit the organisation as well as its members.

A research unit which will build on a growing network of external experts is being developed within the General Secretariat. This new unit has started work by supporting the development of IOSCO's discussion paper on mitigating systemic risk published in February 2011. It is also gathering data, analysing and producing reports to support IOSCO's standards setting activities.

The Executive Committee also established a Standing Committee on Risk and Research chaired by Carlos Tavares, Chairman of the CMVM of Portugal. This standing committee, formed in April 2011, will play a key role in the development and maintenance of a detailed research methodology for systemic risk research by

securities regulators. It will also undertake the review of analyses and research on relevant risk assessment, interact with external experts and undertake impact assessments. The standing committee and the research unit complement each other and work together where appropriate to maximise efficiency.

Regulatory Principles and Assessment Methodology

We know that securities markets do not, as many market participants once believed, regulate themselves: regulation must play its part. This crucial insight has informed our work and will continue to do so. Its most significant expression has been the initiation and development of the IOSCO Principles, first endorsed in 1998, and later complemented by a related IOSCO assessment methodology.

Formulating the IOSCO Principles was an important step, but we recognised that, to keep pace with market developments and changes in regulatory thinking, the principles had to be fleshed out, had to evolve. Just last year in Montréal, IOSCO endorsed a revised set of IOSCO Principles which included eight new principles. Two of these directly address systemic risks in markets, while the others encourage regulatory reach into other areas of market activity, such as hedge funds, credit rating agencies and auditor independence and oversight.

We also needed a transparent new methodology that would properly measure the equivalent implementation around the world of these revised and new principles. Substantial progress has been made on developing this methodology, which is currently being consulted through the regional committees.

Reflections on IOSCO's Progress

As our progress over this past year has demonstrated, IOSCO has become increasingly relevant in the new global financial system as the international standards setter for securities market regulation. It has spent the last decade evolving to reflect the changing dynamics of global markets and the needs of investors and other stakeholders. From the formulation of the original 30 principles of securities regulation in 1998 to the revised 38 principles adopted in 2010 there has been a great deal of progress.

IOSCO has also galvanised regulators to look beyond current regulatory boundaries and to ensure they have the capacity to map and understand developments in their markets and to intervene where necessary to manage emerging risks. The new principles on systemic risks in markets paved the way for a 21st century understanding of the ways markets influence the real economy. This embodies a major change in the way that we think about regulation, in that it requires forward looking information to try to anticipate emerging risks and to mitigate them.

One of IOSCO's great achievements is the MMoU, developed following the events of September 11, 2001, when it was clear securities markets regulators needed demonstrable capacity to exchange information across borders in order to fulfil their domestic enforcement mandates. When in 2005 we set a deadline of January 2010 for all jurisdictions to apply to sign on, many were sceptical that anything like unanimity could be achieved. They underestimated the great efforts that securities regulators and policy makers around the world would undertake to ensure this vital exchange of information between regulators could occur. This, to my mind, indicates that full signatory status under the MMoU is seen as a badge of good global citizenship. Jurisdictions with little in common in the geopolitical sphere have put aside differences to sign on.

In 2009 IOSCO recognised, before many other international organisations, that the old dichotomies between developed and developing markets were breaking down and that this should be recognised in our standard setting work. In support of this changing reality Brazil, China and India were invited to become members of the Technical Committee, in recognition of how important it is to take advantage of the experiences and expertise from jurisdictions right across the globe.

The Future for IOSCO

Marking out IOSCO as a true 21st century organisation is its open-mindedness and a willingness to grapple with

new and changing realities. We understand that the days of each jurisdiction standing alone in capital market regulation are gone if we want to maintain a healthy, stable global economy.

This viewpoint is the source of our considerable international authority and influence, and our acceptance as the global standards setter for securities markets regulation, and why we have two seats on the Financial Stability Board. It is for the same reason that the G20 has mandated full implementation of the IOSCO Principles in every G20 country, encouraged their use in all others, and has looked to IOSCO for its expert input in the area of commodities futures markets.

Taking its rightful place in the global financial architecture, IOSCO is well equipped to face head-on the challenges this century will bring. Our new structural and financial arrangements agreed this year in South Africa places the organisation on a sure footing for the future.

Farewell

I have been enormously proud to be part of this journey, which has been a great team effort. That all of this has been achieved by consensus is in itself remarkable. The goodwill, the intellect and the trust we see around the IOSCO table is unmatched in my experience. The interests of investors and other stakeholders in maintaining deep, liquid and well regulated securities markets is always at the forefront of the minds of those around these tables, recognising that global economic prosperity depends on these markets.

I would like to thank the extremely talented people I have had the pleasure to meet on this wonderful journey. The early leaders of the organisation provided the foundation on which this organisation was built and I salute them. I wish to take this opportunity to thank my colleagues of the Strategic Direction Task Force - Chairman Shang, Hans Hoogervorst, Masamichi Kono, Vedat Akgiray and Zarinah Anwar - their vision, leadership and support have been of great assistance to me and are much appreciated. The Secretary General, Greg Tanzer, and his team have provided wise advice and great support and need special mention. I also thank my team at the New Zealand Securities Commission.

I leave IOSCO in extremely capable hands and in good heart. I congratulate Maria Helena Santana of Brazil's CVM, the new Chair of the Executive Committee, and Fernando Restoy of Spain's CNMV, the new Vice-Chair of the Technical Committee, as incoming members of the strategic direction leadership team. IOSCO is now firmly focused on its strategic mission of assisting the markets of the 21st century to contribute to global prosperity. I have huge respect for IOSCO and for those who work to achieve its goals, and I wish the organisation and its members all the very best for the future.



Report from the Chairman of the Technical Committee

Hans Hoogervorst

Chairman of the Technical Committee Chairman, Netherlands Authority for the Financial Markets

The Technical Committee, which covers the jurisdictions containing the world's major financial centres, aims to promote investor confidence in securities markets, support market stability through strengthening the financial system as a whole, whilst fostering more efficient and transparent capital markets. In pursuit of these aims, IOSCO, as the international forum for securities regulation, continues to play an instrumental role in shaping and informing regulatory global reform efforts.

While my tenure as Chair of the Technical Committee has been brief, that time has been one of intense activity for the members of the Technical Committee whose work has been directed toward furthering IOSCO's aims and regulatory priorities by addressing the consequences of the financial crisis, while also supporting the work of the G20 and the Financial Stability Board.

While the broad range of work carried out by the Technical Committee's Standing Committees and Task Forces is covered in detail in a separate section of this Annual Report, I would like to focus on a few areas which have demonstrated IOSCO's commitment to addressing the effects of the crisis while also supporting the development of a sounder global regulatory system.

Maintaining Market Integrity

Systemic Risk

The financial crisis has clearly shown that systemic risk is not only a question for prudential regulators but also securities regulators, who have come to appreciate that, now more than ever, strong market infrastructures are essential in keeping the global financial system safe. For that reason IOSCO adopted, in June 2010, two new principles of securities regulation related to systemic risk, which address the need for processes to monitor, mitigate and manage systemic risk and to review the perimeter of regulation regularly.

In February 2011, in support of our new focus on systemic risk, IOSCO's Working Group on Systemic Risk published Mitigating Systemic Risk – A Role for Securities Regulators which was aimed at promoting discussion amongst securities regulators on the ways in which systemic risk intersects with their mandates and also provided an insight into how IOSCO and its members can identify, monitor, mitigate and manage systemic risk. The Working Group has since been replaced with a new Standing Committee on Risk and Research (SCRR), chaired by Carlos Tavares, the Chairman of CMVM of Portugal, which will coordinate members' monitoring of potential emerging systemic risks within securities markets. It will be supported in this work by a new Research Unit based at the General Secretariat in Madrid, which will assist in the production of the yearly Global Securities Regulation Risk Outlook.

This new internal infrastructure will ensure that securities regulators are equipped with the ability to contain and minimise systemic risk both nationally and globally.

Direct Electronic Access

The Technical Committee has been active on a number of issues aimed at improving market integrity and investor protection throughout 2010 and into early 2011.

These projects have included the publication of principles for Direct Electronic Access to Markets which are designed to guide intermediaries, markets and regulators in relation to the areas of pre-conditions for direct electronic access (DEA), information flow and adequate systems and controls.

Dark Pools

Global equity market structures have undergone significant changes in recent years, including the development of new sources of liquidity in equity securities markets aimed at meeting the demand for best execution. One such innovation is the expanded use of dark liquidity and the development of so-called dark pools and dark orders which, while meeting market demand, also raises regulatory issues that merit examination. In response to these issues the Technical Committee published principles, in May 2011, aimed at addressing these concerns that dark liquidity poses for markets and regulators in the areas of price discovery, market fragmentation and potential risks to market integrity and provide regulators with the tools to develop and maintain an appropriate oversight regime aimed at addressing any potential risks posed by dark liquidity in their respective iurisdictions.

The Task Force's first piece of work was a Report on Trading of OTC Derivatives, published in February 2011, in response to a request from the Financial Stability Board to examine increasing exchange and electronic trading of OTC derivative products in response to the G20 Leaders' commitment to move OTC derivative trading onto exchanges and their stated objectives of improving transparency, mitigating systemic risk, and protecting against market abuse in the derivatives markets.

The report analyses the benefits, costs, and challenges associated with increasing exchange and electronic trading (organised platforms) of OTC derivative products and contains recommendations to assist the transition of trading in standardised derivatives products from OTC



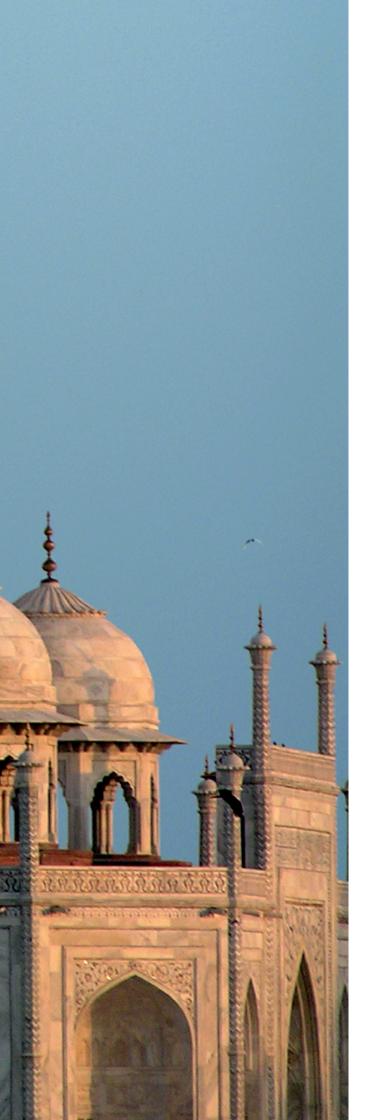
Over the Counter Derivatives

In October 2010 the Technical Committee, in recognition of the need for enhanced international coordination between securities regulators in order to support the global reform efforts currently underway regarding OTC derivatives regulation, formed a Task Force on OTC Derivatives. The Task Force's aims are to develop consistent international standards related to OTC derivatives regulation, to coordinate other international initiatives relating to OTC derivatives regulation and to serve as a centralised group to consult and coordinate generally on issues relating to OTC derivatives regulation.

venues onto organised platforms while preserving the efficacy of those transactions for counterparties.

IOSCO believes that it is appropriate to trade standardised derivatives contracts with a suitable degree of liquidity on organised platforms, provided that a flexible approach encompassing a range of entities that would qualify as such platforms is taken by regulators. Amongst the benefits identified from a move to organised platforms, are greater competition, increased participation, better transparency, and improved market oversight, which will contribute to the realisation of the G20 Leaders' objectives as well as benefiting market participants and regulatory authorities.





The Task Force will produce two further reports in 2011 and early 2012, the first on Data Reporting and Aggregation Requirements and a second report on International Standards for OTC derivatives regulation.

Financial Markets Infrastructure (FMI)

Global securities markets could not operate effectively without a robust infrastructure to support it, and while payment, clearing and settlement systems have generally performed well, nevertheless there were lessons to be learnt both from the recent crisis and from the years of more normal operation since the current standards were issued by the Technical Committee and the Committee on Payment and Settlement Systems (CPSS). In March 2011, the committees issued for consultation - Principles for financial market infrastructures - a new set of combined principles which are designed to ensure that the essential infrastructure supporting global financial markets is even more robust and thus even better placed to withstand financial shocks than at present. The principles will apply to all systemically important payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories. We believe that a single set of principles will provide greater consistency in the oversight and regulation of FMIs worldwide.

Commodity Futures Markets

We remain focused on our goal of working to enhance supervisory best practice, improve transparency, support improved functioning in exchange-traded, OTC derivative and physical commodity markets and address market abuse.

The Task Force on Commodity Futures Markets continues to work, in support of the G20's aims of improving the regulation and supervision of exchange-traded, OTC derivative and physical commodity markets. An update on this work was provided in its April 2011 Task Force on Commodity Futures Markets - Report to the Financial Stability Board, and also outlined IOSCO's future plans and possible additional new areas of focus.

The Task Force is currently focused on: reviewing the Tokyo Communiqué protocol for contract design and market surveillance for commodity contracts; assessing the impact of oil price reporting agencies on overall market functioning and on financial markets; and the creation of a trade repository for oil derivatives.

While our work to date demonstrates significant progress in advancing our mandate and responding to the G20's requests on commodity derivatives and related physical markets, it has focused on oil derivatives and the transparency and functioning of oil markets. However other markets, including agricultural markets, are crucial for our economies and each market has individual intricacies specific to their physical underlying. Therefore IOSCO will consider broadening its focus to encompass other commodity segments.

Responding to the Financial Crisis

Credit Rating Agencies

Building on its earlier work on credit rating agencies (CRAs), the Technical Committee has been reviewing the implementation of the 2003 Statement of Principles Regarding the Activities of Credit Rating Agencies (CRA Principles) through the regulatory programmes in place, or being implemented, in member jurisdictions. The report on the Regulatory Implementation of the Statement of Principles Regarding the Activities of Credit Rating Agencies, published in February 2011, has found that recently implemented regulatory programmes for CRAs, and those currently in progress, by member jurisdictions implement the four CRA Principles.

We will continue to provide a forum for CRA supervisors which will assist in enhancing international supervisory cooperation in the implementation of regulators' respective programmes, as well as in addressing potential conflicts that may arise from the differing regulatory requirements imposed by different jurisdictions on globally operating CRAs.

Other Crisis Issues

Our active pursuit of issues raised by the financial crisis is also reflected in the good work on the critical issue of Firm Risk Management and Prudential Supervision with the publication in February 2011 of our final report on Intermediary Internal Controls associated with Price Verification of Structured Finance Products and Regulatory Approaches to Liquidity Risk Management. This report examined the internal controls, in place at major intermediaries, as they related to the marking to market of certain structured financial products in the period around 2006.

We also continued our work on issuer transparency and investor due diligence with the publication, in June 2010, of our report on Transparency of Structured Finance Products, which set out the issues that regulators should consider when designing a secondary market reporting system for different types of structured finance products.

The area of securitisation continues to be a focus for our dedicated Task Force, whose recommendations for sounder securitisation markets have been endorsed by the FSB, following the publication of the Task Force's results in March 2011 of its monitoring of the recommendations' implementation among members. The

Report has highlighted two areas where further guidance by IOSCO is needed: disclosure standards for private or wholesale offering of securitised products; and encouraging convergence of national regulation where desirable and review progress regularly.

The Technical Committee has progressed many of IOSCO's key regulatory priorities through its work in 2010 and 2011 and, in so doing, IOSCO has contributed its unique perspective and independent voice on behalf of front-line securities markets regulators in the relevant global fora.

IOSCO's Future

Public confidence in the financial system has been shaken to the core. We still have a tremendous amount of work to do before we can be reasonably sure that such a crisis will never happen again. It will take years before this job is done but IOSCO is highly motivated to play its part in achieving this.

In terms of our policy work content, the past year has been an active and productive period for the Technical Committee in pursuing its objectives of protecting investors, ensuring that markets are fair, efficient and transparent and reducing systemic risk. Our work programme covers items generated within IOSCO itself, relating to securities markets regulation, and to items which have been requested by either the Financial Stability Board (FSB) or the G20.

This work has helped support IOSCO's growing role and prominence, and our contribution to the FSB and the G20 is now entrenched and we are recognised as the global standard setter for securities markets. This position will be further strengthened by the merger of the Executive and Technical Committees into the IOSCO Board in 2012, which will create a more effective organisation with a clearer external identity. Such changes will make us much better equipped to deal with the challenges of the future.

I would like to thank my successor, Masamichi Kono of the Japan FSA, for his support as Vice-Chairman during my leadership. I also wish both him and his Vice-Chairman, Fernando Restoy of the Spanish CNMV, all the best in facing the challenges that the organisation will face over the next 12 months.

Finally, as I think that regulators perform at their best in difficult circumstances, I believe there is a bright future for IOSCO.





Report from the Chairman of the Emerging Markets Committee

Vedat Akgiray

Chairman of the Emerging Markets Committee Chairman, Capital Markets Board, Turkey

The activities of the Emerging Markets Committee (EMC) over the past 12 months can be broken down into the following areas:

FSB Related Issues

In November 2010 at the G20 Seoul Summit, the Leaders agreed "to work on financial stability issues that are of particular interest to emerging markets and developing economies", and called on the Financial Stability Board (FSB), IMF and World Bank to deliver a report before the next Summit. A Task Force on Financial Stability Issues of Particular Interest to Emerging Markets and Developing Economies has been created by the FSB, and IOSCO has been included as a member, represented in this Task Force by the Chairman and Vice Chair of the EMC.

In addition to this workstream, I attended the FSB Plenary meeting held in Seoul in October 2010, representing IOSCO as the Chairman of the EMC.



New IOSCO Strategic Direction

The EMC has actively contributed to the work of IOSCO through my participation as EMC Chairman in the Executive Committee and Technical Committee: particularly in the development of the new IOSCO Strategic Direction and the policy debates that have taken place there on the future status of the EMC; the fair representation of EMC in the new IOSCO Board after the merger; and the merger of the policy and standard setting work of Standing Committees and Working Groups. I, along with the EMC Vice Chair, have also participated in the Task Force on the Strategic Direction.

Furthermore, I have also participated in the 3 Chairs Committee, which decides on the applications to become an MMoU signatory.

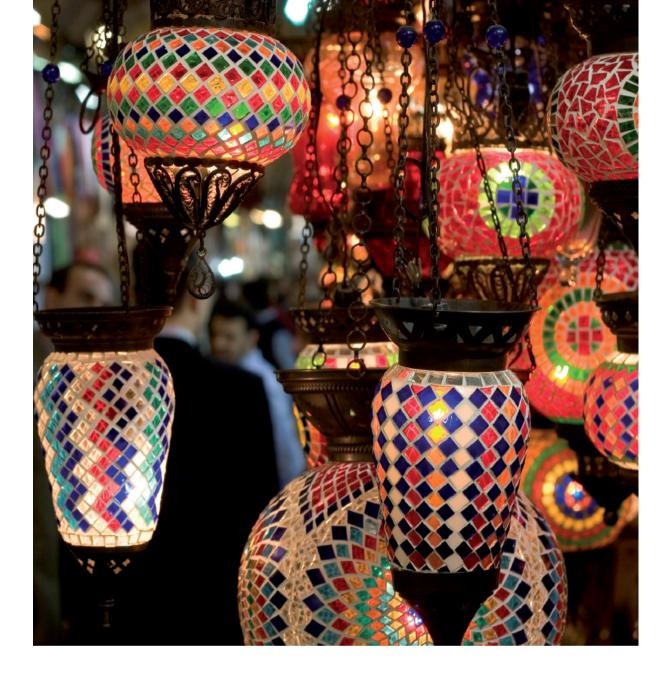
EMC Task Forces

EMC Chairman's Task Force

The EMC Chairman's Crisis Task Force, established in October 2008 and whose membership was open to all EMC members, was constituted to assess the impact and implications of the financial crisis on emerging markets, to identify relevant regulatory issues and provide recommendations for further work. In support of this, it was decided to circulate a Survey to the EMC jurisdictions every year. The outcomes of the 3rd survey were presented during the EMC Conference held in Istanbul on 14 October 2010 and it was decided to rename the Task Force given more than two years have passed since the onset of the financial crisis, as the "EMC Chairman's Task Force".

EMC Task Force on OTC Markets and Derivatives Trading

The Task Force, chaired by the Capital Markets Board of Turkey (CMB), drafted the report on OTC Markets



and Derivatives Trading in Emerging Markets. The purpose of the report was to examine the OTC markets in EMC jurisdictions; to determine their current regulatory approaches and experience with regulating OTC markets and derivatives trading; their prospective plans in terms of future regulations; and report these findings along with some recommendations. The report analysed the regulatory issues for emerging markets on OTC markets and derivatives trading which were: standardisation; clearing/central counterparty clearing; transparency; data provision and reporting; collateralisation; risk management; and valuation. The report made recommendations on each of these regulatory issues and stated that these recommendations only provide a general framework and further research and studies should be conducted for country-specific issues. The preliminary results of the report were presented at the IOSCO Annual Conference in June 2010 and the report was published in July 2010.

EMC Task Force on Securitisation

The Task Force, chaired by SEBI India and CNBV Mexico, drafted the report on Securitisation and Securitised Debt Instruments in Emerging Markets, which identified key recommendations to deepen securitisation markets in emerging market jurisdictions. The Task Force found it important to divide the recommendations into two parts:

Recommendations on enabling conditions, which are critical for jurisdictions whose markets have not yet started to develop or are at a very early stage of development; and Recommendations to deepen and strengthen securitisation markets, especially important for markets at a later stage of development.

The project has been conducted in conjunction with the International Monetary Fund. The final report was approved during the EMC meeting of October 2010 and was sent to the FSB following its publication.

EMC Task Force on the Development of Corporate Bond Markets in Emerging Markets

Following the discussions at the meeting of the EMC Advisory Board (EMCAB) on 27 January 2010 in Madrid, the EMCAB approved the formation of an EMC Task Force on the Development of Corporate Bond Markets in Emerging Markets, in collaboration with the World Bank. The Task Force is co-chaired by SEBI India and SC Malaysia, and comprises 22 members from emerging markets. This Task Force will develop a report to be published in October 2011 to assess the state of development of corporate bond markets in emerging markets, identify existing impediments which affect the development of efficient corporate bond markets and propose recommendations to overcome these impediments.

EMC Working Groups and other relevant issues

The recent work of the five Working Groups of the EMC are described in the section of the Annual Report focusing on the organisation's technical policy work.

The EMC was represented by the Vice Chair Mrs. Zarinah Anwar in the Monitoring Board of the International Financial Reporting Standards Foundation. The members of the Monitoring Board are the Emerging Markets and Technical Committees of International Organization of Securities Commissions (IOSCO), the European Commission, the Financial Services Agency of Japan, and the US Securities and Exchange Commission. The Monitoring Board's main responsibilities are to ensure that the Trustees continue to discharge their duties as defined by the IFRS Foundation Constitution, as well as approving the appointment or reappointment of Trustees.

Progress made by EMC members in meeting the requirements of the MMoU

Following the completion of the IOSCO Resolution to ensure that all IOSCO member jurisdictions have signed onto Appendix A of the MMoU, or are committed to making the necessary changes to enable them to do so, the MMoU contained, at the end of 2010, 38 signatories from the EMC. Additionally, 39 EMC jurisdictions were listed on Appendix B. There were still 4 jurisdictions which have not applied officially to become a signatory to the MMoU, all of them EMC members. Since the new deadline of 1 January 2013 is rapidly approaching, I am greatly impressed by the progress made, and the commitment shown, by EMC members in support of this important goal.

Training programmes organised for emerging markets members including a joint event with the SROCC

The following seminars and training programmes were organised for EMC members over the last 12 months and include the following highlights:

- > 3rd SROCC Training Seminar, Rio de Janeiro, Brazil, 30 November - 2 December 2010: the theme was "Implementing IOSCO Principles: Issuers, Collective Investment Schemes and Enforcement";
- > Joint FSI/IOSCO Seminar on Trading Book Issues and Market Infrastructure, IOSCO Headquarters Madrid. 16-18 November 2010:
- > Rebuilding the Trust of the Global Investing Public, Cairo, Egypt 8-9 November 2010: IOSCO and the International Forum for Investor Education (IFIE) jointly held this conference on the best ways to work towards rebuilding the trust of the global investing public in the capital markets;
- > 2010 Seminar Training Programme, Madrid, 19-22 October 2010: the annual Seminar Training Programme on "Understanding New Financial Products and the Regulatory Implication of those Products";
- > IOSCO EMC Meeting and Conference, Istanbul, Turkey, 13-15 October 2010 - hosted by the Capital Markets Board of Turkey (CMB);
- > Mobile Seminar Training Programme (STP) on "Examination, Investigation, and Litigation of Insider Trading and Market Manipulation Cases in Securities Regulation" for the Asia/Pacific Region, Chinese Taipei, 29 June to 2 July 2010 - hosted by the Financial Supervisory Commission;
- > Mobile Seminar Training Programme (STP) on "Examination, Investigation, and Litigation of Insider Trading and Market Manipulation Cases in Securities Regulation" for the European Region, Istanbul, 27-29 May 2010: this initiative was held under the umbrella of the European Regional Committee and was hosted by the Capital Markets Board of Turkey; and
- > Implementing IOSCO's Principles for Secondary Markets, Reading, 11-13 January 2010: hosted by IOSCO's SRO Consultative Committee, ICMS Centre, Henley Business School, University of Reading.





Report from the Chairman of the SRO Consultative Committee

Yoshio Okubo

Chairman of the SRO Consultative Committee Chief Regulatory Officer, Japan Securities Dealers Association

The International Organization of Securities Commissions' Objectives and Principles of Securities Regulation (IOSCO Principles) recognise the important ways that self-regulatory organisations (SROs) augment regulatory resources, including establishing and enforcing rules, codes of conduct, developing standard documentation and best practices and taking disciplinary action for non-compliance. SROs also offer unique expertise on market operations and practices and in the area of arbitration and dispute resolution, all of which have become focal points for investors and regulators in the wake of the recent market turmoil.

If SROs are properly authorised, empowered and overseen, they have numerous advantages. Based on their proximity to the market, SROs can offer their expertise regarding market operations and practices that respond more quickly and flexibly to changing market conditions. They can establish ethical standards and require data collection beyond government regulations. Importantly, SROs can also reduce the taxpayers' regulatory cost burden. Taking advantage of these strengths. SROs around the world are contributing to investor protection and raising market efficiency.

There is considerable diversity in the regulatory roles and responsibilities of SROs around the world. While various models of self-regulation exist and the scope of selfregulation varies across jurisdictions, IOSCO Principle No. 9 requires SROs to be subject to the oversight of primary regulators and observe standards of fairness and confidentiality where they exercise some direct oversight responsibility for their respective areas of competence.

The SRO Consultative Committee (SROCC) was established as IOSCO's consultative body for SROs in 1989. Since its inauguration, the SROCC has provided an important framework for SROs to share information about their individual regulatory activities and experiences, with a view to strengthening the underpinnings of the capital markets around the globe. The SROCC has become an important part of the global regulatory community responsible for securities regulation and fair market practices.

The SROCC has 69 members representing developed and emerging securities and derivatives markets from around the world. The committee members consist of 17 regulatory membership organisations, 43 exchanges (including the World Federation of Exchanges), 4 clearing and settlement agencies, and 5 investor protection funds.

During 2010, the SROCC held two meetings: its annual meeting during the IOSCO Annual Conference in Montreal in June 2010 and the mid-year meeting in Rio de Janeiro in November 2010. A training seminar for the regulatory staff of the SROCC member organisations and emerging markets regulators was held in tandem with its mid-year meeting, which was co-organised by the SROCC and the Emerging Markets Committee, supported by the Brazilian SROCC member organisations - ANBIMA, BM & F Bovespa, BSM and CETIP, FINRA, and the Japan Securities Dealers Association (JSDA). It was the third such seminar, and is becoming one of the core activities of the SROCC.

In addition to this event, the SROCC Chair and/or members attended and participated in a number of meetings organised by IOSCO's other committees, including the Technical Committee, its Standing Committees, and the Technical Committee meeting with financial market stakeholders. On these occasions, the SROCC representatives provided their expertise, advice and views on the critical regulatory issues being addressed by each Committee. The SROCC also provided its perspective on IOSCO's proposed new strategic direction.

The committee held its 2011 annual meeting during the recent IOSCO Annual Conference in Cape Town.

Mission

The SROCC, as a group of regulators and standard-setters close to the market, cooperates, supports and coordinates with IOSCO's other committees and their members, in order to:

- > enhance the effectiveness and value of selfregulation in promoting efficiency, transparency and integrity of markets;
- contribute to regulatory policy development and implementation through the expertise and input provided by its members and related parties;
- > identify potential investor protection and market integrity issues and proactively address emerging trends;
- effectively address the wide range of issues in securities markets for the benefit of the regulatory community and investors globally; and
- share experiences as SROs with other members and interested parties through seminars and training programs.

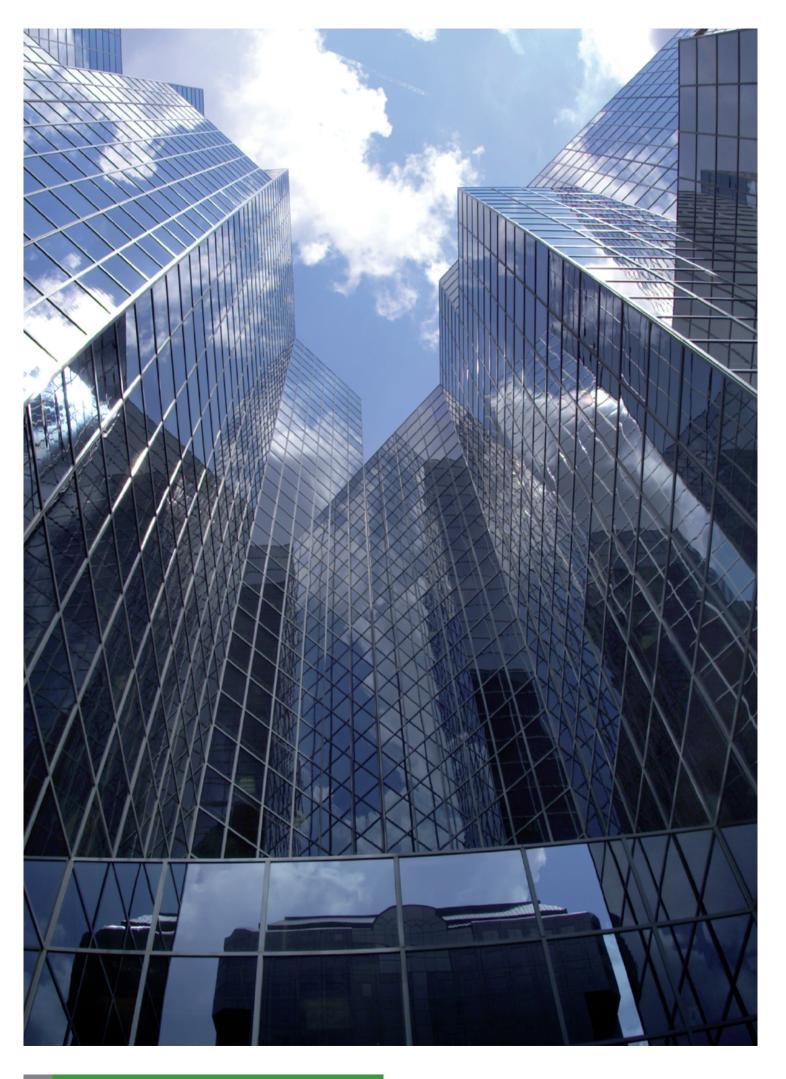
Recent Activities

The following were the committee's main activities during 2010, through which the SROCC has been considering and tackling key issues involving oversight of markets and intermediaries as a means to promote investor protection and market integrity.

1 Reviewing roles of self-regulation

The SROCC reviewed a number of contributions that SROs can make to the regulatory framework in their respective jurisdictions in order to strengthen the functioning of markets in the wake of the financial crisis. These include measures taken in the areas of enhancing transparency in the commercial paper and asset backed securities markets; increasing resources for inspection and investigative functions; closing regulatory loopholes; strengthening the oversight of OTC derivatives markets; upgrading due diligence practice guidance; strengthening risk management processes; and the creation of whistleblower services to expedite the review of high-risk tips and ensure a rapid response to information received by the SRO. The Working Group on Self-Regulation (WG-SR) completed a comprehensive survey on the nature and extent of self-regulation in the jurisdictions of SROCC members, identifying four forms of self-regulation for securities markets based on their regulatory authority and legislative backgrounds.





The SROCC also had the opportunity to be briefed about the activities of the World Bank Group on its ongoing study on roles, functions and characteristics of SROs in the world's securities markets. The World Bank has also expressed its wish to further collaborate with the SROCC in planning and/or implementing policy advice and technical assistance projects for emerging market countries. The SROCC welcomes such opportunities and intends to pursue ways to strengthen collaboration with the World Bank Group and other institutions in this

2 Early detection of regulatory issues

The regulatory role played by SROs is becoming increasingly important as a result of evolving market structures, the proliferation of complex products and more complicated business models of financial intermediaries. Their close proximity to the markets allows SROs to respond to these developments with speed and versatility. SROs are well positioned to detect emerging issues and early warning signs of regulatory concern.

In this context, the SROCC's Ahead of the Curve Working Group (ATC-WG), is an important vehicle to detect potential regulatory issues at an early stage, to share information on such emerging issues, and help SROs explore best solutions. During the last three meetings in Montreal, Rio de Janeiro and Cape Town, the ATC-WG discussed a number of market structure issues including the Flash Crash, high frequency trading, direct market access and surveillance of alternative trading systems (ATS). The ATC-WG also examined the issues related to customer protection in retail OTC forex and other derivatives, fraudulent activities involving green technology and other scams, and discussed preventive measures including more extensive and fast-track investor alerts. The WG exchanged information and views on client-intermediary relationships and ways to enhance investor protection by strengthening the retail client's position in the advisor/client relationship.

The SROCC will continue to exchange information on emerging regulatory issues, enabling members to identify and respond quickly to issues of concern, protecting investors and market integrity as well as contributing to financial stability.

3 Training regulatory staff

Training regulatory staff is one of the highest priorities of the SROCC. Through training, members can ensure that regulatory SRO staff will be better able to identify emerging regulatory issues and address them effectively and efficiently. The Regulatory Staff Training Working Group of the SROCC (RST-WG) is committed to assisting the staff of all IOSCO members in enhancing understanding of fundamental regulatory requirements and related inspection practices.

Based on the review of the second training program in the UK in January 2010, the third face-to-face training seminar took place in Rio de Janeiro from 30 November to 2 December 2010, supported by Brazilian and other SROCC members of IOSCO and co-organised with the Emerging Markets Committee. The seminar was attended by 107 participants (including speakers) from EMC and SROCC member organisations in 32 jurisdictions and other relevant organisations.

Presentations were made by speakers from regulatory authorities and SROs including: the IOSCO General Secretariat, Brazil - AMBIMA, BSM, CETIP and CVM, Columbia - AMV, Canada - IIROC, Chinese Taipei - TWSE, Europe - ICMA, France - AFM, India - SEBI, Italy -CONSOB, Japan - JSDA and TSE, Korea - KOFIA, Poland - KNF, Switzerland - SIX Swiss Exchange, Turkey -TSPAKB, US - FINRA, NFA and SEC. The participants had active discussions focusing exclusively on the IOSCO Principles, and in particular, on Principles for Issuers, Principles for Collective Investment Schemes and Principles for Enforcement of Securities Regulation. Participants also had breakout group sessions each day and produced group reports to get a better understanding of the day's topics.

In light of the positive feedback about the training seminar, including its structure and topics, the SROCC has agreed to continue this type of training activity and agreed to hold the next seminar in Chinese Taipei in November 2011, and Istanbul in 2012.

Future Work Programme

In light of the rapidly changing global financial market environment, front-line regulatory expertise is becoming increasingly important and the role of the SROs is being more clearly recognised in strengthening investor protection, market integrity and financial stability. From its members' perspective, the SROCC intends to work closely and actively with relevant IOSCO committees and task forces, as well as relevant market stakeholders, with the aim of contributing to the achievement of IOSCO's aims and objectives. The SROCC will continue to build on its expanded interaction with relevant Standing Committees and Task Forces and it will continue to provide training opportunities for staff of regulatory organisations.

In addition to identifying emerging trends and sharing its expertise, the SROCC will look for new ways to promote the exchange of information between members and government authorities regarding regulatory initiatives and intends to expand its role in IOSCO policy-making as appropriate.

The SROCC plans to hold its mid-year meeting and training seminar in Taipei in October-November 2011 and its annual meeting during the IOSCO Annual Conference in Beijing in May 2012.



Report from the Secretary General

Greg Tanzer

> Secretary General

In November 2010 IOSCO celebrated the 10th Anniversary of the relocation of its General Secretariat to Madrid. The occasion was marked with a function presided over by the Chairs of the Executive and Technical Committees, with the First Vice-President and Minister of Finance of Spain, the Honourable Elena Salgado, as our special guest. In addition, we were honoured to have a meeting with the President of the Government of Spain, the Honourable José Luis Rodríguez Zapatero. It was a recognition of the position which IOSCO now holds as a member of the international financial community, acting to establish sound regulatory policies to safeguard the financial and real economy.

The 10th Anniversary provided an opportunity to reflect on the past decade, and in particular on how much IOSCO and the world has changed in that time. In 2000, we were at the dawn of a new century, having survived the prospect of massive dislocation of technological systems in Y2K and having far outstripped many of the predictions made about life in the 21st Century in popular culture. Hard to believe, but the humble laptops and burgeoning mobile phone technology of the turn of the century vastly exceeded the computing power (but thankfully not the menace) of the fictional master computer Hal, from 2001: A Space Odyssey. Yet, a far more realistic menace was to emerge

less than 12 months later with terrorist attacks in the United States, unpredictable events which were to rapidly reshape the priorities of governments around the world.

More recently, we have seen a long running financial crisis, beginning in a relatively small and professionally oriented part of the financial markets, infect confidence in the financial stability of major global banks and even bring into question the soundness of some sovereign states. While some of these events may have been anticipated, the pace and depth of the financial crisis which ensued was not. The continuing damage caused to





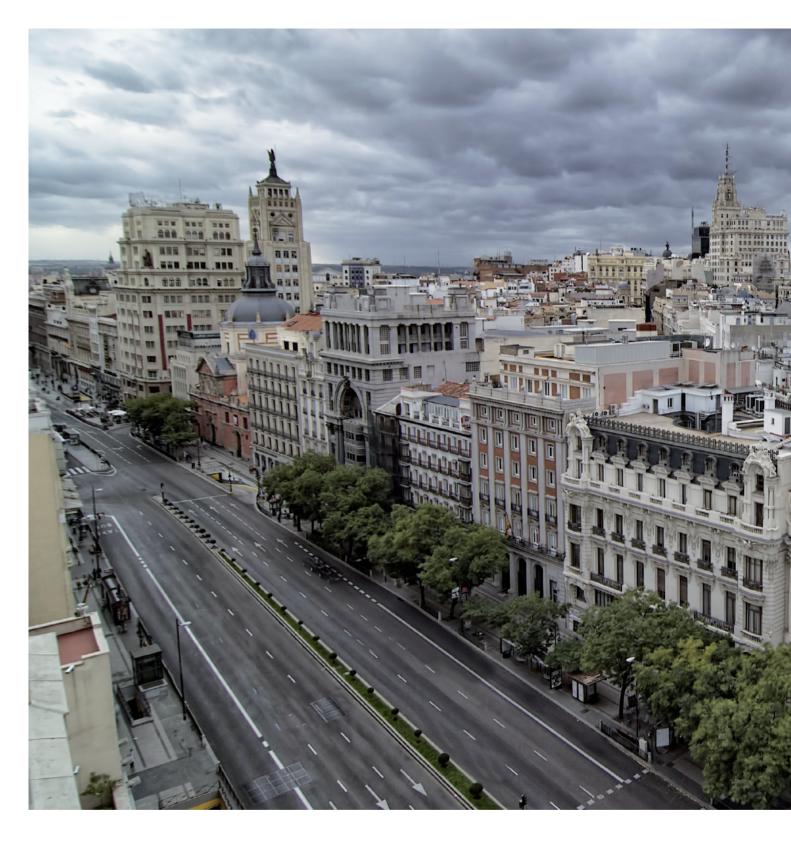
the real economy and the deterioration in badly needed economic growth in many parts of the world is a reminder, if one is needed, of the importance of robust regulatory policy at the international level to promote sustainable economic development globally.

Throughout 2010 IOSCO has played a key role in addressing the current financial crisis. We successfully revised our Objectives and Principles of Securities Regulation to reflect market developments and lessons learned from the crisis, in particular incorporating eight new principles to cover critical issues such as the role of securities regulators with respect to systemic risk, the regulation of credit rating agencies and hedge funds, and managing conflicts of interest. During 2011, the Methodology for assessing the implementation of these Principles will be completed. IOSCO also undertook reviews of the implementation of regulation of securitisation and hedge funds.

As the year ended, the G20 requested that IOSCO look at the challenges posed by technological and other developments in securities trading, as well as volatility in the commodity futures markets and to produce recommendations on both issues during 2011. In addition, the Financial Stability Board, of which IOSCO is a member, requested that we produce recommendations to improve the trading and reporting of over-the-counter derivative transactions.

While it is impossible to predict the exact source and evolution of future financial crises, IOSCO has acted to set a strategic course for its activities for the next five years, to provide a context for prioritising its activities. For this reason, in June 2010 IOSCO's Presidents Committee adopted a new Strategic Direction for 2010 to 2015, covering IOSCO's key roles in setting standards, building regulatory capacity and market development amongst its membership and outreach to stakeholders. A key component of this Strategic Direction is enhancing our research capacity to analyse potential sources of systemic risk, so that we can better decide courses of action to mitigate them. As 2010 closed, IOSCO was well advanced in implementing its new Strategic Direction, by advancing discussion on a new committee and funding structure for the organisation.

These achievements could not have been made without the leadership provided by the Chairs and Vice Chairs of the three key working committees of IOSCO: the Executive, Technical and Emerging Markets Committees. We are fortunate indeed to be able to rely on their energy, knowledge and professionalism, without which IOSCO would be unable to meet the expectations of our members. I would like to pay particular tribute to those who held the chairs of the Technical and Emerging Markets Committees, Kathleen Casey of the United States SEC and Guillermo Larrain of the SVS of Chile, and their successors, Hans Hoogervorst of the AFM of The



Netherlands and Vedat Akgiray of the CMB of Turkey, who succeeded them at the mid-year point.

At the level of the General Secretariat, much has changed over the last 10 years, growing from just 3 permanent staff in 2000 to 18 permanent and seconded staff by the end of 2010. We have welcomed a new Deputy Secretary General, Tajinder Singh from SEBI of India, together with secondees from across the globe to improve the Secretariat's capacity to deliver services for members. We commenced establishing a Research Unit, and continued our extensive involvement in the implementation of IOSCO's Multilateral Memorandum of Understanding (MMoU) to improve standards of information exchange and enforcement cooperation. By the time of our Annual Conference in April 2011, 80 members have completed the application process and have become signatories to the MMoU, while a further 37 IOSCO members have been listed in Appendix B of the MMoU and will be assisted by IOSCO to become full signatories by 1 January 2013. Furthermore, we embarked on a major review of our education and training offerings, resulting in better



targeted training programmes at the Madrid headquarters and in regional centres. We look forward to continuing this expansion to meet the growing need for better trained and more professional regulators. We devoted particular attention to supporting projects of the Emerging Markets Committee and efforts by the Technical Committee to improve communication and outreach to external stakeholders. While they come from many different countries and cultural backgrounds, our people are energetically and enthusiastically working to improve services to IOSCO members.

As we look forward, there are many uncertainties about the future shape of the financial markets and the opportunities and challenges they present for sustainable economic growth. However we can be certain that the financial markets are critical to the future, and that IOSCO members can and should play a significant role in promoting this growth through pursuing sound regulatory approaches. IOSCO stands ready to drive these regulatory initiatives at the international level.

Activities of IOSCO's **Working Committees** in 2010

The policy development work of IOSCO is carried out by two specialised committees, the Technical Committee and the Emerging Markets Committee.

The Technical Committee's remit is to review regulatory issues related to international securities markets and to coordinate practical responses to these concerns. The Technical Committee's work is carried out by six Standing Committees who cover the following policy areas:

- > Multinational Disclosure and Accounting:
- > Regulation of Secondary Markets;
- > Regulation of Market Intermediaries;
- > Enforcement and Exchange of Information:
- > Investment Management: and
- > Credit Rating Agencies.

The Emerging Markets Committee aims to develop and improve the efficiency of emerging securities markets through the introduction of minimum standards, the provision of training programmes for members' regulatory staff and facilitating the exchange of information, technology and expertise. committee's work is conducted by Working Groups in the following five areas:

- > Disclosure and Accounting:
- > Regulation of Secondary Markets;
- > Regulation of Market Intermediaries;
- > Enforcement and Exchange of Information; and
- > Investment Management.

Both committees may also establish special task forces to examine specific topical developments in financial markets. These carry out their work under separate mandates but co-operate extensively with the Standing Committees and Working Groups where their mandates overlap. The work of some of the Technical

and Emerging Markets' Task Forces has already been detailed in the reports of the respective chairmen.

The past 12 months have been an intense and productive period for the Standing Committees and Working Groups, with both engaged in major pieces of work linked to combating the effects of the ongoing financial crisis whilst supporting the work of the G20 and the Financial Stability Board. The committees also continued to pursue mandates in their respective areas of competence.

2010 - The Technical **Committee's Work Programme**

Multinational Disclosure and Accounting (TCSC1)

The Standing Committee on Multinational Disclosure and Accounting's work programme continues to focus on the quality of financial information provided to investors by listed companies and financial institutions, and the accounting and auditing standards that underpin this information.

The Standing Committee continues to monitor and support the work of the international accounting standard setting bodies through the provision of views on behalf of the Technical Committee in relation to their work, as a participant in their working groups and as observers.

This work has involved monitoring, and providing comment on, the projects being undertaken by the International Financial Reporting Foundation (IFRS Foundation), and the committee participates as an observer in the IFRS Interpretations Committee (IFRIC), as well as the IFRS Advisory Council and other IFRS Advisory Groups.



IOSCO believes that international audit standards that contribute to high quality audits are important for securities regulators and essential to maintaining investor confidence, therefore it continues to monitor the activities of IFAC's International Auditing and Assurance Standards Board (IAASB) and the International Ethical Standards Board Accountants (IESBA) and provides input to the IOSCO members who participate in their respective Consultative Advisory Groups (CAGs). continues to monitor the work and activities of the International Forum of Independent Audit Regulators (IFIAR).

The Standing Committee's work programme continues to be influenced by those issues raised by the financial

crisis particularly in the areas of improved issuer transparency and valuation and accounting issues. As a continuation of its work on developing Principles of Disclosure for Asset-Backed Securities, the Standing Committee is currently engaged in a project to develop principles for ongoing public disclosure for Asset-Backed Securities. These are likely to be published during 2011.

Regulation of Secondary Markets (TCSC2)

This committee monitors developments in the structure of global capital markets and its markets and exchanges infrastructure, with a particular focus on changes that may have an impact on the effectiveness and integrity of markets.



In common with the other standing committees, crisis-related work has continued to be one of TCSC2's key workstreams. This resulted in the publication in June 2010 of a Final Report on *Transparency of Structured Finance Products* which focuses on the viability of a secondary market reporting system for different types of structured finance products and outlines the issues that regulators should consider when designing a secondary market reporting system for them.

The evolving nature of markets has also seen changes in the methods used by participants to access trading

venues and, in co-operation with the Standing Committee on the Regulation of Intermediaries, the committee finalised its report on *Principles for Direct Electronic Access*, in August 2010. The report contains principles that are designed to guide intermediaries, markets and regulators in relation to the issues of pre-conditions for direct electronic access (DEA), information flow and adequate systems and controls.

In addition to this work, TCSC2 continues to monitor market developments which potentially raise issues for

securities regulators. One recent area of concern has been the development of new sources of equity market liquidity, in particular dark liquidity. The committee consulted on Issues Raised by Dark Liquidity in October 2010 and in May 2011 published a Final Report, Principles on Dark Liquidity, which set out principles to assist market regulators in addressing the potential impact of dark liquidity on transparency and price discovery, fragmentation of information and liquidity, fairness and market integrity and the ability of participants to access actual trading volume in dark pools.

Finally, TCSC2 has been working since October 2010 on a new mandate on High Frequency Trading (HFT). The mandate is aimed at the development of a comprehensive understanding of HFT, the regulatory issues it raises, and the development of an appropriate regulatory response to HFT. The original timetable has been accelerated to deliver a report to the G20 by June 2011.

Regulation of Intermediaries (TCSC3)

The role of intermediaries in today's volatile markets is a critical one. The manner in which they meet their legal and regulatory responsibilities through proper systems and controls, manage their conflicts of interest and ensure that clients' interests are protected is a key part of IOSCO's principles and of vital importance to the efficient functioning of securities markets.

In crisis-related work TCSC3 completed its work on firm risk management with the publication of its Final Report, in February 2011 on Intermediary Internal Controls on Price Verification and Liquidity Risk Management. The report examined the internal controls in place at firms relating to the holding of large positions in illiquid assets, the regulatory regime of liquidity risk management and liquidity standards.

The 2008 collapse of Lehman Brothers highlighted the importance of the protection of client assets held by securities intermediaries in foreign jurisdictions, to this end the committee conducted a study regarding the consequences of the insolvency of a securities intermediary. The Final Report on the Survey of Regimes for the Protection, Distribution, and/or Transfer of Client Assets, published in March 2011, aims to help securities regulators understand the insolvency regimes of foreign countries as they apply to

foreign affiliates of the intermediaries that they regulate. The issue of intermediaries' responsibility for assessing the suitability of structured investment products has also recently come into focus, and the committee is currently developing suitability standards in connection with complex financial products. The project covers suitability obligations that relate to intermediaries' distribution of complex financial products to retail and non-retail customers. A final report is expected to be published in 2011.

The committee's work on capital standards for the securities sector is continuing, and includes analyses of the key capital frameworks for securities firms and of the capital requirements for securities firms in relation to existing IOSCO capital adequacy standards.

In pursuit of its role in ensuring that adequate standards exist in relation to financial intermediaries and market access, the committee finalised its joint project, with TCSC2, on direct electronic access with the publication in August 2010 of Principles for Direct Electronic Access.

In February 2011 the committee completed its joint project, with the Standing Committee on Investment Management (TCSC5), on point of sale disclosure with the publication of Principles on Point of Sale Disclosure. The report sets out the key information that investors should receive prior to or at the point of sale in order to facilitate sound investment decision-making.

Finally in support of IOSCO's objective of protecting investors the committee is currently working on a new investor education mandate that focuses on investor financial education programmes for products commonly distributed by intermediaries.

Enforcement and Exchange of Information (TCSC4)

IOSCO continues to view enforcement co-operation between regulators as a crucial area, and the Standing Committee is working to ensure the implementation of guidelines and procedures allowing better links amongst members for the exchange of information and greater co-operation in enforcement actions.

The IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) is the international standard for cooperation and

information exchange between regulators for securities enforcement purposes. The committee has continued to support the work of the MMoU Screening Group. and the General Secretariat, in assisting IOSCO member jurisdictions to meet the requirements for becoming signatories to the MMoU. By April 2011 80 of the 122 eligible members were full signatories of the MMoU while a further 37 had indicated their commitment to seeking the legislative administrative changes necessary to become signatories. The aim of IOSCO is that all members become full signatories by 1 January 2013.

The IOSCO Contact Initiative, which seeks to engage on a positive basis with under-regulated or uncooperative jurisdictions, has continued to reap real benefits, with the dialogue with a number of jurisdictions now closed as they have addressed the issues identified and have applied to become members of IOSCO and to sign the MMoU.

The TCSC4 is pursuing work, in cooperation with the EMC Working Group on Enforcement and Exchange of Information, in relation to digital evidence, which is aimed at preparing a best practice guide for identifying issues in the collection, handling and sharing of digital evidence in cross border investigations.

Investment Management (TCSC5)

The importance of this sector of global financial markets has led this committee to follow up on issues raised by the financial crisis for the sector, while also pursuing other issues which raise concerns for regulators in relation to their oversight of the sector and present challenges to investor protection.

In light of recent industry developments, where some open-ended collective investment schemes (CIS) or CIS management companies were unable to meet redemption requirements, TCSC5 published, in March 2011, a consultation report setting out draft *Principles* on Suspensions of Redemptions in Collective Investment Schemes.

In tandem with its crisis-related work the committee has also continued to pursue its mandate in relation to investor protection, and in May 2011 it finalised, in cooperation with the TCSC3, its work on point of sale disclosure with the publication of Principles on Point of Sale Disclosure.





Finally, in the area of private equity the committee published its report on Private Equity Conflicts of Interest in November 2010, setting out a number of principles aimed at assisting securities regulators in mitigating the possible conflicts of interest that may occur within private equity firms.

Credit Rating Agencies (TCSC6)

The Standing Committee on Credit Rating Agencies continues to provide a forum for CRA supervisors aimed at enhancing international supervisory cooperation in the implementation of regulators' respective programmes, as well as addressing potential conflicts that may arise from the differing regulatory requirements imposed by different jurisdictions on globally operating CRAs.

A final report on the Regulatory Implementation of the Statement of Principles Regarding the Activities of Credit Rating Agencies was published in February 2011. The report focused on whether and, if so, how regulatory programmes for CRAs adhered to the IOSCO CRA Principles. It found that members' programmes did indeed implement the relevant principles.

The Standing Committee is currently working on issues related to CRA's internal controls in relation to the integrity of the ratings process, as well as their management of conflicts of interest.

The Superintendencia de Valores y Seguros (SVS) of Chile and the Financial Services Commission/Financial Supervisory Service (FSC/FSS) of Korea have been selected to represent the Emerging Markets Committee on this Standing Committee.

Task Forces of the Technical Committee

The Task Force on Unregulated Entities continues to focus on issues regarding the oversight and regulation of hedge funds, including their potential to contribute to generating systemic risk. It continues to assess the implementation of the IOSCO Hedge Fund Oversight Principles within national and regional jurisdictions, and the adequacy of proposed industry standards. It is also engaged in a data gathering exercise in order to aggregate data relating to hedge funds operations on a global basis.

The report of the Chairman of the Technical Committee includes details on the activities of the Task Force on

OTC Derivatives Regulation, the Task Force on Commodity Futures Markets, and the Task Force on Unregulated Markets and Products, as well as the joint work undertaken by the Technical Committee and the Committee on Payment and Settlement Systems.

2010 – The Emerging Markets Committee's Work Programme

Disclosure and Accounting (EMC-WG1)

EMC-WG1 has continued its work aimed at raising the awareness of Emerging Markets Committee (EMC) members' about the issues associated with the convergence of domestic financial reporting with international financial reporting standards.

The group has recently completed a survey on the progress being made in the implementation of IFRS amongst the members of the EMC. In support of this work the Working Group also conducted a survey into the problems encountered by members who are in the process of implementing IFRS. The surveys found that IFRS was the accepted standard for members and had already been implemented in nearly 25% of EMC jurisdictions, while a further 12.5% apply it in a combination with local standards. The main problems by members revolved around IFRS interpretation, training, resistance to change and the frequency of amendments to the standards.

In order to address some of these issues, EMC-WG1 has commenced work on a project to increase EMC participation in IOSCO's existing IFRS Database which will integrate EMC jurisdictions implementation issues into the current database, and contribute to developing solutions to them.

Regulation of Secondary Markets (EMC-WG2)

The group continues to focus its efforts on secondary market issues which impact on emerging market regulators, with particular emphasis on issues arising from the global financial crisis.

The group completed its mandate to review the effectiveness of trading intervention measures taken by regulators and/or exchanges to control price volatility and the risk of sudden disruptions, with the October 2010 publication of a Final Report on Effectiveness of Market Interventions in Emerging Markets.

The Report highlights broad guiding principles in implementing measures to intervene in markets, including the need for: (i) regular review of the framework governing interventions in light of the changing trading landscape; (ii) market interventions to be considered in a holistic manner: (iii) market interventions to be transparent and explicitly guided by clear criteria and parameters; (iv) market intervention measures to be consistently applied across all exchanges and/or markets to prevent regulatory arbitrage; and (v) a proper framework for coordination and communication between regulators and/or exchanges for multi-listed securities.

Regulation of Financial Intermediaries (EMC-WG3)

The Working Group spent much of the last twelve months concentrating on its project on conflicts of interest facing market intermediaries. This was finalised with the publication of the Final Report, in November 2010, on Guidance for the Efficient Regulation of Conflict of Interests Facing Market Intermediaries. The report set out eight practical guidelines to assist securities regulators in their oversight of firms' management of their conflicts of interest.

The group is currently assessing a range of mandates to undertake over the next twelve months including issues related to nominee accounts, know your client procedures, ownership and structure guidelines for intermediaries and liquidity risk.

Enforcement and Exchange of Information (EMC-WG4)

Following the completion of its work on the exchange of information in relation to fit and proper assessments, with the December 2009 publication of its Final Report on Best Practices on Exchange of Information under Fit and Proper Assessment, members indicated a desire to create a portal to provide useful information for financial regulators which would increase the effectiveness of inter-agency cooperation and information sharing. The portal was officially launched in June 2010.

There is also a new mandate on digital evidence, being developed with TCSC4. It is aimed at preparing a best practice guide for identifying issues in the collection, handling and sharing of digital evidence in cross border investigations.

The group has also participated in the activities of the MMoU Screening Group and its Verification Teams during the period following the MMoU deadline of January 2010. Members of EMC-WG4 continue to provide invaluable assistance to other members in dealing with the obstacles they face in signing the MMoU. Good progress is being made by a number of EMC jurisdictions in removing the obstacles to becoming full signatories of the MMoU.

Investment Management (EMC-WG5)

This group has continued, through its work, to offer support and assistance to members on the issues encountered in the supervision of their fund management industries, particularly in the area of Collective Investment Schemes.

EMC-WG5 is cooperating on the work being carried out by TCSC5 on the suspension of fund subscription and/or redemptions, given its importance for EMC iurisdictions.

Task Forces of the Emerging Markets Committee

The EMC published the Final Report of its Task Force on Securitisation at its Annual Conference in Istanbul in October 2010.

The report's focus was on reviewing the role of structured finance products in the development of emerging markets, with the aim of developing principles or best practices for securitisation in these jurisdictions. The Final Report on Securitization and Securitized Debt in Emerging Markets includes recommendations on both the conditions necessary for the development of securitisation markets, and those required for the further development of these markets. The report sets out recommendations for best practice in this area, which will assist market authorities in mitigating vulnerabilities in their jurisdictions and supporting the long term development of their capital markets.

Details of the work being undertaken by the Task Force on the Development of Corporate Bond Markets in Emerging Markets and the Chairman's Task Force, are included in the EMC Chairman's Report, which also includes details of the final report of the Task Force on OTC Markets and Derivatives Trading.



Report from the Chairperson of the Africa/Middle-East Regional Committee

Arunma Oteh

Chairperson of the AMERC Director General, Securities and Exchange Commission, Nigeria

The Africa/Middle-East Regional Committee (AMERC) actively participated in IOSCO activities and programmes during the period January - December 2010.

The Chairperson, of the Africa/Middle-East Regional Committee, attended on behalf of the region the Technical Committee, Executive Committee and Emerging Markets Committee Advisory Board meeting in Madrid from 20-21 January 2010.

The 24th IOSCO Africa/Middle-East Regional Committee Conference was held in Accra, Ghana from 15-16 February, 2010. The Conference theme was "Information and Capital Market Development in Emerging Countries". In consideration of the low level of financial literacy in the region, the conference theme covered the following:

- i) Type of information and reporting standards;
- ii) Quality of information; and
- iii) Disclosure versus merit.

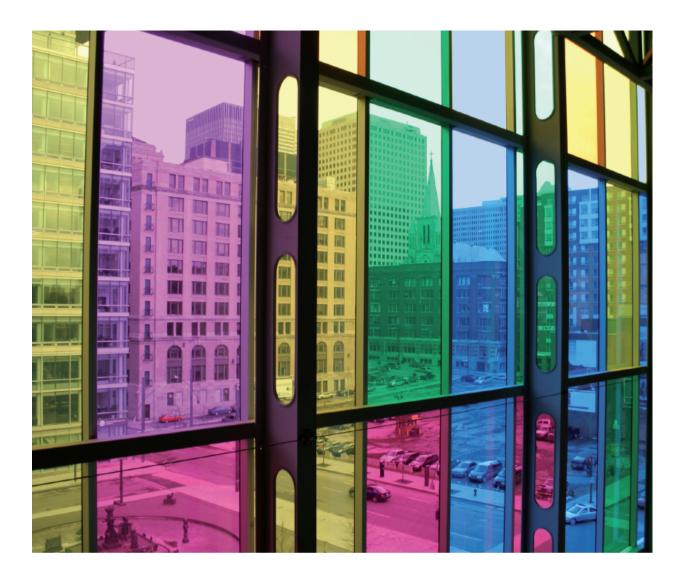
This meeting also saw the transfer of the chairmanship of AMERC to Ms. Arunma Oteh by Ms. Daisy Ekineh, the then Ag Director General of the Securities and Exchange Commission of Nigeria. Thirty delegates from twelve member-countries attended the Accra meeting.

AMERC held its 25th Annual meeting in Montréal during the 35th IOSCO Annual conference, during which Ms. Arunma Oteh was elected as the committee's Chairperson with Mr. Hassan Boulaknadal of the Conseil déontologique des valeurs mobilière of Morocco as Vice Chairman. During the Annual Conference in Montréal we were pleased to welcome both Saudi Arabia and Syria as new ordinary members of IOSCO and AMERC.

The AMERC Chairperson attended the annual Emerging Markets Committee Conference, which was held on October 14, 2010 in Istanbul, on behalf of the region.

AMERC also participated in the joint Executive Committee-Technical Committee meeting and Emerging Markets Committee Advisory Board meeting held on 1 October 2010 in Chennai, India.





The third Joint Investor Education Conference of the International Forum for Investor Education (IFIE) and the International Organization of Securities Commissions (IOSCO) was hosted in the AMERC region by the Egyptian Financial Supervisory Authority from 8-9 November 2010. The theme of the conference focused on Investor Education around the Globe, with the following topics being discussed:

- Perceptions of Investor/Financial Education as Key to Rebuilding Trust;
- > Impact of Innovative and Effective Programmes that Build Trust:
- > Media as Partners in Extending Reach and Awareness for Investor Education; and
- > Innovative Techniques for Delivering/Evaluating Programmes.

The conference was run on an interactive basis, with country and jurisdictional experience being shared through presentations from a number of distinguished speakers. Panel and break-out sessions methods were used to ensure active participation of all participants. 70 Participants from 36 countries attended the programme.

Future Programmes

- 1. On-going exploratory efforts to create a platform for a Regional MoU among AMERC Members;
- 2. The CDVM, Morocco will be hosting the 2011 edition of the IOSCO/AMERC Regional Seminar Training Programme (STP) from 8 - 10, June 2011 with the theme of "Understanding New Financial Products" and the regulatory implications of those products; and
- 3. Arrangements are on-going by the Capital Markets Authority, Kenya to host a Risk Based Supervision Workshop in partnership with the International Monetary Fund and IOSCO sometime in September 2011.



Report from the Chairman of the Asia-Pacific Regional Committee

Mr. U. K. Sinha Chairman of the APRC Chairman, Securities and Exchange Board of India

The APRC Region: Fast Growing **Economy & Expanding Securities Markets**

In terms of land area and population, the Asia-Pacific region is one of the largest regions of the world with great variation within that area. Asia-Pacific countries, in general, share a high degree of entrepreneurship, a determination to progress, high savings rates and substantial private investment in assets and in education. As per the IMF's World Economic Outlook released in April 2011, the real GDP in the Asia-Pacific region grew at 8% during 2010 as compared to 3.6% during 2009.

According to the latest data from the World Federation of Exchanges, the market capitalisation of the Asia-Pacific region as at end-2010 stood at approximately \$17 trillion, registering a growth of 20% during 2010. It accounted for 32% of the world market capitalisation at end-2010, double the share in 2000. In 2010, as in 2009, the Asia-Pacific region witnessed more capital raising than any other region and accounted for 43% (13% in 2000) of the capital raised. At the end of 2010, the Asia-Pacific region is home to 5 of the top 10 stock exchanges, in terms of market capitalisation, share trading value and capital raised.

The Asia-Pacific Regional Committee (APRC) has a huge potential to contribute to the growth of the Asia-Pacific region by working towards strengthening fairness, efficiency and transparency of the securities markets in the region.

Activities during 2010

The APRC met twice during 2010. The meetings in Montréal during the 2010 IOSCO Annual Conference and Chinese Taipei on 28 October 2010 chaired by Mr. C. B. Bhave, the then Chairman of Securities and Exchange Board of India, actively deliberated on important areas such as Review of Strategic Direction of IOSCO, Revision of IOSCO Principles and Methodology, and Mutual Recognitions of Securities Laws specifically in the area of Mutual Fund (Collective Investment Scheme). It also took note of the discussions of the Technical Committee, Executive Committee. Emerging Markets Committee (EMC) and its Working Groups and Task Forces.

In Montréal, Ms. Jane Diplock, Chairman of the IOSCO Executive Committee, provided a brief on the mandates of the Task Force on Strategic Direction. Important issues dealt by the Task Force were the overarching goals and missions of IOSCO, strengthening research, and restructuring IOSCO and its committees. APRC also discussed the IOSCO initiative to strengthen its financial resources by way of revision of the membership fees.

Mr. Amarjeet Singh, Vice Chair of the Implementation Task Force, briefed about the finalisation of eight new principles and the process of consultation of the revision of the Methodology.

Ms. Zarinah Anwar, Vice Chair of EMC and Chairperson of the Securities Commission of Malaysia, briefed on the activities of the EMC, its Working Groups and Task Forces. The report of the EMC Task Force on Securitisation and Securitised Debt in Emerging Markets, led by SEBI and CNBV Mexico, contains recommendations on the development of securitisation markets. This was sent by IOSCO to the Financial Stability Board in view of the importance attached to the subject. The progress report of the Task Force on Development of Corporate Bonds, co-chaired by SEBI and SC Malaysia, was also discussed.

While 16 members in the region are full signatories to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU), 8 members are listed on Appendix B. Only one jurisdiction is yet to apply to become a signatory. The APRC Secretariat continues to offer support and technical assistance to those jurisdictions that are in need. The Financial Supervisory Commission of Chinese Taipei received technical assistance for a comprehensive overview of their capital market regulatory system, and an assessment of its compliance with the IOSCO Principles from the AMF Québec and the UK FSA in coordination with the IOSCO General Secretariat.

The APRC meeting at Taiwan provided a platform to the speakers from the APRC jurisdictions, to present their



views on several important topics such as "Experience Sharing: Measures taken post crisis"; "Futures of Securities Markets 2020"; "Systemic Risk: Role of Securities Markets Regulators"; and "Ethics & Regulations".

Specific regional issues faced by APRC's members during 2010

The presentations made during the APRC meetings highlighted the issues faced by the region during the recent past.

The presentations by representatives from Hong Kong, Chinese Taipei and Japan highlighted the aftershocks of the crisis and the measures taken to stabilise the markets. Strengthening regulatory regime, governing the sale of investment products, enhancing investor protection, enhancing prudent supervision, strengthening corporate governance, strengthening central clearing, improving the

regulation for trading and settlement of OTC Derivative products, and disclosure of Compensation Practices are some of the initiatives taken by these jurisdictions.

The presentation by ASIC and the Secretary General of IOSCO on the topic "Future of the Securities Markets: 2020" highlighted the issues relevant for the future markets. Robust market infrastructure, effective investors' protection, continuously changing regulatory structure, globalisation of CCPs, regional regulators, specified categories of large investors such as sovereign wealth funds and pension funds were highlighted as important issues relevant for the future.

Future planned activities

APRC will continue to focus on its initiative to strengthen the resilience of the securities markets and will focus on addressing the issue of systemic risk. APRC jurisdictions have already started taking initiatives in this regard.

APRC member countries will continue their efforts in making cross-border offerings more investor friendly. More and more jurisdictions are studying the success stories of other jurisdictions and are making progress to amend and improve their own regulations. The members agree that harmonisation of regulatory structure and regulations will be a challenge.

The APRC Secretariat will provide the assistance and support required by jurisdictions in the APRC region for transition from Appendix B to being full IOSCO MMoU signatories, by January 2013.

The role of Regional Committees, including the APRC, in IOSCO will gain further importance in the coming years with the changing structure of IOSCO as outlined in its strategic direction. As such, there will be a greater role and participation, for the Regional Committees in the international standard-setting process and implementation. This will mean more intensive engagement of the Regional Committees in the overall work programme of IOSCO in the coming years.





Report from the Chairman of the European Regional Committee

Carlos Tavares

Chairman of the ERC Chairman, Comissão do Mercado de Valores Mobiliários,

The European Regional Committee (ERC) is composed of 47 IOSCO members from the European region. It is the forum where these members discuss topics of interest for the European region and where issues under discussion in the leading IOSCO Committees may be considered. These activities are facilitated by the fact that the Chairman of the ERC is a member of the Executive Committee and also attends the meetings of the Technical Committee.



Throughout 2010, the ERC held meetings in Paris (February), Montréal (June) and in Lisbon (November). In the course of these meetings, ERC members were provided with feedback on the activities of the Executive Committee. Technical and Emerging Markets Committees. Several presentations were given, focusing on the main projects and activities of IOSCO's Standing Committees and Task Forces, in connection with their respective mandates. In addition, Committee members were briefed on IOSCO's participation in the activities of other international fora, namely in the Financial Stability Board and the G20.

The ERC continued to engage in regular discussions on IOSCO's Strategic Direction Review 2010-2015, with an emphasis on the review of IOSCO's Objectives and Principles of Securities Regulation, the implementation of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation. Cooperation, and the Exchange of Information (MMoU), Structure and Funding Proposals and on the new Committee Structure, including the European representation in the new structure and the role of regional committees.

Over the past year, a number of topics of particular relevance to the European Region were discussed, namely emerging risks and trends in members' financial markets, in addition to the regular exchange of information between the members on relevant new developments in the different jurisdictions.

Committee members continued to be regularly informed of the activities of the Committee of European Securities Regulators (CESR), which became the European Securities and Markets Authority (ESMA) on 1 January 2011, as well as on the EU proposals to strengthen the European financial supervisory framework, both at micro-



and macro-prudential level. CESR's transition to ESMA deserved special attention, particularly focusing on the impact of this new architecture on financial supervision in Europe.

Regular updates and initiatives were also made with regard to the implementation of the IOSCO MMoU. By the end of 2010, 35 ERC members had become full signatories, while 9 members were listed on Appendix B and 1 member has not yet applied to sign the MMoU.

Several training initiatives took place in the European region, in particular the Mobile Seminar Training Programme (STP) on Examination, Investigation, and Litigation of Insider Trading and Market Manipulation Cases in Securities Regulation in Istanbul, from 27-28 May, hosted by the Capital Markets Board of Turkey. Other past events in the region include: Supervisory Review and Evaluation Process (SREP) - Process and Risk Management - Investment Market Case, Warsaw from 14-16 April, hosted by the Polish Financial Supervision Authority; Implementing IOSCO's Principles for Secondary Markets, hosted by IOSCO's SRO Consultative Committee, University of Reading, United Kingdom, 11-13 January.

In terms of ERC governance, elections were held in June 2010, which resulted in the choice of Carlos Tavares (CMVM, Portugal) as Chairman of the ERC and of Jean-Paul Servais (Financial Services and Markets Authority, Belgium) as the Second Representative from the Region on the Executive Committee. They succeeded Eddy Wymeersch and Fernando Restoy.

For 2011, the ERC's objectives include intensifying its contribution to the discussion on IOSCO's strategic direction for 2011-2015, focusing in particular on the increase of the organisation's effectiveness. Following this discussion, the ERC aims to strengthen its role in the discussion of policy proposals and for further interaction with the future new policy committees. The ERC also intends to report and analyse issues of potential systemic risk to the region, as well as regulatory trends that may strengthen investor protection in financial markets.



Report from the Chairperson of the Inter-American Regional Committee

Rosario Patrón

Chairperson of the IARC Head Securities Market and Pension Funds, Banco Central del Uruguay

The Inter-American Regional Committee of IOSCO (IARC) brings together jurisdictions from Latin America, the Caribbean and North America, encompassing a wide range of economies and markets. Some of these are developed economies but most of them are emerging economies, however, in spite of differences in market size, sophistication and diversification, these jurisdictions share a history of doing business together and in the few last years have managed to achieve common purposes around issues that are important to the IOSCO community.

During 2010, three IARC meetings were held: in April in the USA, during the IOSCO Annual Conference in Montréal in mid-June and the final meeting of the year in October in Rio de Janeiro.

Objectives and results during 2010

The following is an account of the permanent objectives pursued by IARC and the results achieved under each during 2010.

Objective 1: To keep regional jurisdictions well informed about all the activities in the IOSCO committees and task forces and to provide feedback to IOSCO about such matters.

The IARC Chair has adopted a policy of setting the meetings agendas around fixed items where members participating in the Technical, Executive and Emerging Markets Committees report on the discussions and decisions of these committees, their Task Forces, Standing Committees and Working Groups. Such a policy has had the result of bringing all IARC members closer to IOSCO activities which in turn serves to build a truly inclusive organisation, where all members profit from the technical work being done and contribute to it in the way they see fit, according to each market's characteristics and the resources available to each regulator.

During 2010 the focus was on the discussion of IOSCO's new strategic direction, its funding options and the proposed new structure, as well as the New Principles and the ongoing work on the Assessment Methodology.

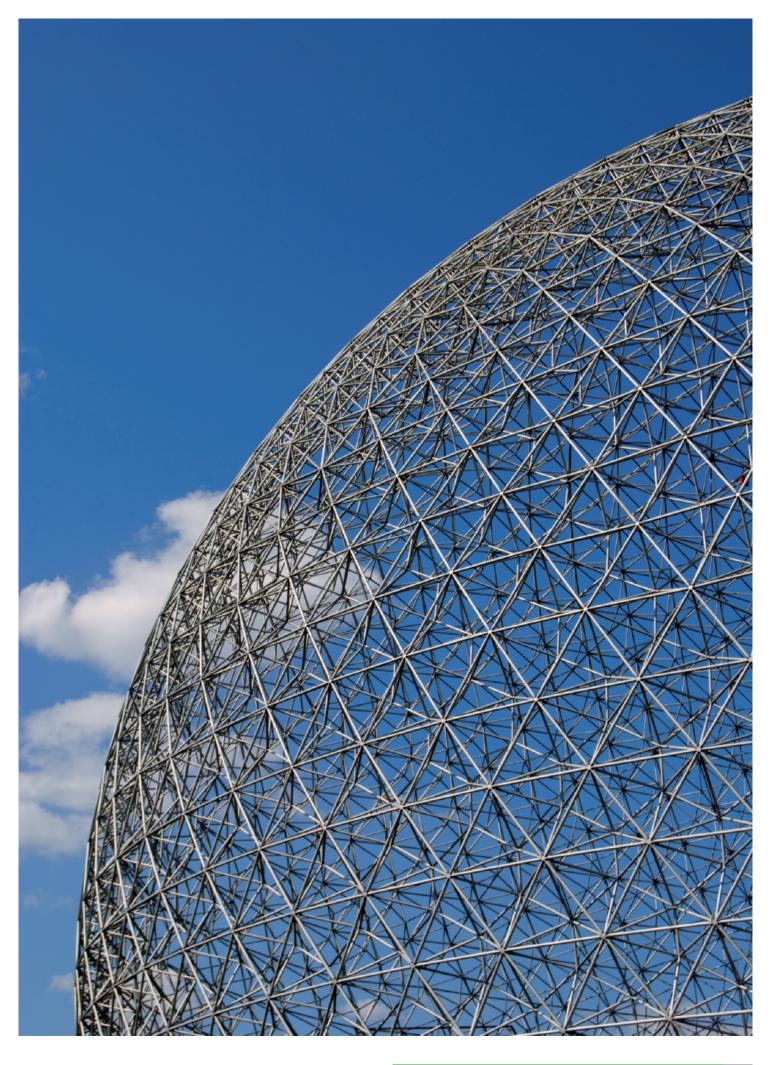
Surveys on these subjects have been conducted by the Chair, and feedback has been channelled to IOSCO committees through comments on consultation papers, in conference calls and during relevant meetings.

Objective 2: To facilitate enhanced cross-border cooperation and exchange of information in a broad range of matters.

A standard item on the agenda of each meeting is devoted to changes in regulation in each jurisdiction and involves an exchange of opinions on problems of a general nature that are meant to be dealt with by any new regulation.

During 2010, this agenda section has been particularly crowded as countries have been actively completing new laws and regulations driven by the need to address the issues raised by the global financial crisis, and the demands from other international bodies such as the Financial Stability Board and the G20.

International cooperation in enforcement issues was central during the 2010 meetings, as jurisdictions shared their plans to comply with IOSCO's 2013 deadline for joining the MMOU.





Objective 3: To identify regional common issues and interests that may be addressed through the regional committee and to address such regional issues through seminars and the development of technical work.

The IARC Chair and Vice Chair have continued to be in close consultation with jurisdictions in the region, to identify common interests and ensure that meetings revolve around topics that are useful to the membership.

Working Groups on different subjects have been established, their mandates approved and work has been produced.

During 2010 the following results were achieved:

- > The Working Group on Self Regulation in the Americas completed its work, the final report being due for publication in 2011;
- > The Working Group on Market Integration completed its mandate for a Survey on the different integration arrangements in the Americas, the final report being due for approval during the July 2011 IARC meeting; and
- > The Joint IARC/OECD Task Force on Corporate Governance completed the first part of its project. This was a survey and recommendations on the

misuse of privileged information. The progress report was forwarded to the Technical Committee Standing Committee 4 for comments and the revised report will be submitted for approval at the IARC July 2011 meeting.

Objective 4: To network with other international organisations that have common regional interests with IARC to share experiences and to develop joint technical work and/or initiatives.

During 2010, contacts by the Chair and the Vice Chair with organisations that currently work on regional issues have continued. As a consequence, during 2010 the following events took place:

- A Seminar on Systemic Risk was organised jointly with the IMF and took place immediately before the April 2010 IARC meeting; and
- > A meeting with OECD Latin American Round Table on Corporate Governance took place in November 2010.

Future work

On Objective 1, meetings will be conducted in the same fashion as in previous years as they have successfully contributed in advancing both the regional jurisdictions' aims and IOSCO's.



Regarding Objective 2, the focus during 2011 will remain on the plans that regional members have for joining the MMOU. Actions will be intensified in order to ensure that all IARC members become signatories by 1 January 2013. To that effect, the Chair is in close contact with some of the penholders of those iurisdictions that are still listed under Appendix B of the MMOU and with the IOSCO General Secretariat, in order to provide opportunities – during IARC meetings and otherwise – for these jurisdictions to get advice to assist them in overcoming identified obstacles and to implement the regulatory changes required before the deadline.

In relation to Objective 3, the 2011 work programme will cover the following:

- > Publication of the Paper Analysis of Self Regulation in the Americas;
- > Completion of the Paper on Misuse of privileged information:
- > Definition of future work to be carried out by the Joint IARC/OECD Task Force on Corporate Governance issues;
- > Establishing a new Working Group on the Regulation of Small and Medium Size Enterprises (SMEs);

- > Contribution to the development of the EMC Working Group on Accounting and Disclosure work on a Database on IFRS implementation;
- Organisation of a Seminar on Investor Protection;
- Organisation of a Seminar on recent trend of Self Regulation.

As to Objective 4, future work includes a continuation of contacts with regional organisations as follows:

- > Back to back meetings with the regional regulators of Payments Systems;
- > Close contacts and coordination of some shared lines of work with the Ibero American Federation of Exchanges (FIAB);
- A meeting of IARC and the OECD Latin American Round Table for Corporate Governance;
- > Maintaining close contacts with the Ibero American Institute for Securities Markets (IIMV) on IFRS implementation in the region and other common lines of work; and
- > Exploring joint work with the Association of Banking Supervisors of the Americas (ASBA).

IOSCO's Education and Training Programme

IOSCO is uniquely positioned to shape the global education and training regulatory landscape as well as provide even greater value to its members through Education and Training (E&T) products and services. Indeed, IOSCO is in a position to enhance its regulatory integrity by building exemplary E&T programmes. Our programmes can help jurisdictions provide a solution to many of their E&T challenges.

IOSCO E&T Activities 2010-2011



IOSCO Seminar Training Programme

The 2010 IOSCO Seminar Training Programme (STP) was held from 19-22 October in Madrid. The programme agenda and topics were decided on the basis of the responses received from our members in the IOSCO Education and Training Survey (Survey) undertaken in 2009. This year's seminar was on "Understanding New Financial Products and the Regulatory Implications of Those Products".

This intensive four day course examined in detail topics related to new financial products and their regulatory implications, and also featured an update regarding the regulatory implications of the global financial crisis.

The event was attended by some 75 members from 46 different jurisdictions. An indication of the continuing

popularity and relevance of this programme was that this particular STP was 25% oversubscribed. Full details, including speakers' presentations and case studies, are available on the IOSCO website.

In order to build on the success of the annual STP, similar regionally based mobile training seminars, using the same broad format, theme and materials, were organised in 2010 on "Insider Trading and Market Manipulation" in the European and Asia-Pacific Regions. The first European Mobile STP was hosted in Istanbul by the Capital Markets Board of Turkey, from 27-29 May and the first Asia-Pacific event, hosted by the Chinese Taipei Financial Services Commission, ran from 29 June to 2 July.

Last 9 and 10 March 2011 the first Inter-American Mobile STP was held in the offices of the Superintendencia General de Valores (SUGEVAL) in San José, Costa Rica.

This seminar on "Understanding New Financial Products and the Regulatory Implications of those Products" was a condensed version of the October 2010 STP. Eight speakers from both regulators and industry representatives covered the different sessions. The seminar was attended by some 60 participants from 12 different jurisdictions and enabled IOSCO to reach a greater number of members from the Inter-American Region.

Similarly the Conseil déontologique des valeurs mobilières (CDVM) of Morocco hosted the African / Middle-East Mobile STP from 8-10 June 2011 in Marrakesh covering the same topic. This three day seminar was attended by over 40 regulators from around the world.

The Securities Commission of Malaysia will host the third Mobile STP of 2011, from 29-30 November 2011, on "Understanding New Financial Products and the Regulatory Implications of those Products".

The annual STP will be held at the IOSCO General Secretariat from 25-28 October 2011 on "Investor Protection: The Latest Developments in Regulatory Research, Investor Education, and the New IOSCO Principles".

Seminar on Market and Liquidity Risk: jointly organised by IOSCO and the Financial Stability Institute (FSI)

The fifth edition of the joint IOSCO and FSI Seminar took place at IOSCO in Madrid from 16-18 November 2010. This year's seminar focused on Trading Book Issues and Market Infrastructure. Some 55 participants from 43 jurisdictions attended this year's programme. The 2011 Seminar will be held from 16-18 November 2011. The FSI is the training arm of the Bank for International Settlements, and this joint seminar has proved successful in examining some cross sectoral issues.

The IOSCO & IFIE Investor Education Conference

The 2010 joint IOSCO-International Forum for Investor Education (IFIE) Investor Education Conference took place from 6-8 November 2010 in Cairo. The theme of the conference was "Rebuilding the Trust of the Global Investing Public". The conference was composed of different panels covering themes such as "Perceptions of Investor/Financial Education as Key to Rebuilding Trust" to "Innovative and Effective Programmes That Build Trust - What Impact Do Such Programmes Have?", "Innovative Techniques for Delivering/Evaluating Programmes" and "Challenges Ahead".

The presentations of the conference are now available at http://www.ifie.org/2010conference.

A number of IOSCO's members have indicated their interest in the topic of investor education. The Education and Training team is considering what programme or materials IOSCO might be able to make available to meet this demand

Self Regulatory Organisations Consultative Committee (SROCC) - 3rd SROCC Training Seminar on "Implementing IOSCO Principles: Issuers, Collective Investment Schemes and Enforcement", Rio de Janeiro, 30 November - 2 December 2010

Following two successful earlier events, the SROCC conducted a three day training seminar in Rio de Janeiro, Brazil. The programme covered the IOSCO Principles relating to issuers, collective investment schemes and enforcement. The training event took place alongside the SROCC's mid-year meeting held on 29 November.

Emerging Markets Committee Training

Workshops on risk-based supervision for securities regulators will be organised in 2011 in the Africa/Middle-East and European Regions under the auspices of the Emerging Markets Committee. The workshop has been developed with technical support from the International Monetary Fund and FINRA, and was successfully delivered in the Inter-American region earlier in 2010. The workshop is designed for staff with responsibilities for the supervision of securities firms and products (brokerage firms, fund managers). There will be two Risk-Based Supervision Seminars organised in 2011 in Kenya for the AMERC region and in Europe.

AMERC Training

At the 26th IOSCO AMERC meeting held on 9-11 February 2011 in Mauritius, a Workshop on "Handling Investor Complaints in Emerging Markets and Investor Education" was held on Friday 11th February 2011. This seminar was attended by over 50 participants from 6 different jurisdictions.

Survey Analysis

In 2009 IOSCO needed to perform a comprehensive review and a "Needs Analysis" of its E&T programmes. As part of that programme review, a Zoomerang Survey (Survey) soliciting E&T views and opinions was emailed to all IOSCO members. In 2011 a similar survey was used to update and gain additional data from members. Completed surveys were received from all member categories and all regions.

The Survey supports and confirms the very positive evaluations received on IOSCO's E&T programmes. For example, the survey reflects strong agreement that its E&T programmes provide an international regulatory perspective, and bring attendees up to date regarding regulatory matters. In addition, attendees strongly agree that attending such events and programmes "will help me in my regulatory responsibilities".



2010 IOSCO STP, group photograph

The Survey offered 53 different topics concerning securities regulation and allowed respondents to indicate their level of interest in each topic - using a scale of 1-7 with 7 indicating "very interested". The following topics received the strongest support according to the 2011 Survey:

- > Market Manipulation 78%;
- > Insider Trading Investigations 76%;
- > Investor Protection 73%;
- > Conducting Regulatory Investigations 73%;
- > Going Forward; Regulation and Supervision 70%;
- > Insider Trading (Litigation) 66%;
- > Inspections 64%;
- > Risk Management 63%;
- > Helping Investors Avoid Fraud 62%; and
- > Investor Education 61%.

Several conclusions regarding the direction of IOSCO E&T can be drawn from this comparative data:

- > The offences of market manipulation and insider trading (and the litigation of insider trading cases) continue to be topics of much interest, both topics were covered in the 2009 STP – but there is still much more to cover;
- Investor protection and the related topics of investor education and helping investors avoid fraud have become of even greater interest. Three of the top ten topics in 2011 related to investor education and protection;
- > Topics relating to inspections and oversight continue to be of interest. Especially topics relating to "Conducting Regulatory Investigations", "Going Forward: Regulation and Supervision", "Inspections", and "Risk Management"; and
- > There seems to be somewhat less interest in topics related to products and instruments and

the global financial crisis, both of these areas were covered in the 2010 STP and the recent mobile STPs.

Regarding IOSCO's Principles, these categories received the strongest support* according to the 2011 Survey:

Principles:

- > Enforcement (Principles 10-12) 69%;
- > Secondary Markets (Principles 33-38) 68%;
- > Market Intermediaries (Principles 29-32) 67%;
- > Cooperation in Regulation (Principles 13–15) 65%;
- > The Regulator (Principles 1-8) 59%;
- > Collective Investment Schemes (Principles 24-28) 58%;
- > Auditors, Credit Rating Agencies and Other Information Providers (Principles 19-23) - 53%;
- > Issuers (Principles 16 -18) 49%; and
- > Self-Regulation (Principle 9) 44%.

Finally, there continues to be a strong expression of support among members for an IOSCO offered and sponsored "Certificate Programme." In both 2011 and in 2009, 80% of the respondents indicated programmes that offer a certificate are very or somewhat important. In 2011 79% of the respondents indicated they would "like to see IOSCO offer a formalised certificate programme for regulators" versus 76% in 2009.

Additional resources and planning would be required before embarking on a certificate programme. However, an optional certificate programme could be offered to IOSCO members to recognise participant attendance and participation at its training events. A certificate programme could be based on an attendee completing a certain number of IOSCO courses in a given amount of time. For example, a certificate might be given for successfully completing 10 days of IOSCO training over a two year period.

Strongest support is defined as the total percentage of respondents who marked the topic as a "7" or a "6" on a 7 point scale with 7 reflecting the highest level of interest.

General Information

The International Organization of Securities Commissions (IOSCO) is an international association of securities regulators that was formed in 1983. Its General Secretariat is based in Madrid, Spain.

The objectives of IOSCO's members are:

- > to cooperate in developing, implementing and promoting adherence to internationally recognised 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.

Structure of IOSCO

The Presidents Committee, which meets once a year during the Annual Conference, is made up of all the presidents of both ordinary and associate member agencies.

The Executive Committee acts as the executive body of the organisation and is currently chaired by Ms. Maria Helena Santana. It is composed of the following 19 members:

- > the Chairmen of the Technical and Emerging Markets Committees;
- > the Chairmen of the four Regional Committees -Africa/Middle-East Regional Committee; the Asia-Pacific Regional Committee; the European Regional Committee and the Inter-American Regional Committee;
- > 1 ordinary member elected by each Regional Committee from among the ordinary members of that region; and
- > 9 ordinary members elected by the Presidents Committee.

The current members of the Executive Committee represent the ordinary members from Australia, Belgium, Brazil, China, France, Germany, India, Japan, Morocco, Nigeria, Portugal, Spain, South Africa, Turkey, United Kingdom, United States of America and Uruguay.

The Executive Committee meets periodically during the year and, subject to the By-Laws of IOSCO, takes all decisions and undertakes all actions in support of achieving IOSCO's objectives.

The Executive Committee has established two specialised working committees. The first is called the Technical Committee and is made up of 18 agencies that regulate some of the world's larger, more developed and internationalised markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. The members of the Technical Committee are the securities regulatory authorities of Australia, Brazil, China, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Ontario, Québec, Spain, Switzerland, United Kingdom and the United States.

The second specialised committee is the Emerging Markets Committee which endeavours to promote the development and improved efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programmes for members' staff and facilitating the exchange of information as well as the transfer of technology and

In addition, IOSCO has four Regional Committees, which meet to discuss problems specific to their respective regions and jurisdictions:

Africa/Middle-East Regional Committee;

Asia-Pacific Regional Committee;

European Regional Committee; and

Inter-American Regional Committee.

Self-Regulatory Organisations (SROs), who are affiliate members of IOSCO, are members of the SRO Consultative Committee. The SRO Consultative Committee has ongoing contact with the Technical Committee Standing Committees and Task Forces which ensures it is in a position to provide substantive input on

their regulatory initiatives. IOSCO recognises the importance of maintaining a close dialogue with the SROs, and international organisations, who make up its affiliate membership and of ensuring that their input into IOSCO's policy development work is sought and encouraged.

LOSCO'S STRUCTURE



Annual Conferences

IOSCO's members meet every year at its Annual Conference to discuss important issues related to global securities markets regulation. Event and registration information can be found at www.iosco.org.

Membership Categories and Criteria

Categories

There are three categories of membership within IOSCO which are designed according to the different approaches to securities markets regulation, while ensuring that those members with an interest in the regulation of securities markets are also involved in the debate on securities market issues.

The three categories are:

- > Ordinary
- > Associate; and
- > Affiliate

The annual membership fee for all categories is €15,000.

Ordinary

This category is open to a securities commission, or a similar government or statutory regulatory body that has primary responsibility for securities regulation in its iurisdiction.

If there is no governmental, or statutory, regulatory body in a jurisdiction then a self-regulatory body, such as a stock exchange, in that jurisdiction is eligible for ordinary membership of IOSCO. However, the ordinary membership of a self-regulatory body admitted to IOSCO will lapse if a governmental regulatory body from the same jurisdiction becomes the ordinary member for that jurisdiction.

Ordinary members each have one vote in the Presidents Committee, which meets yearly at the Annual Conference.

Associate

The following bodies can apply to become associate members of the organization:

- 1. a public regulatory body with jurisdiction in the subdivisions of a jurisdiction if the national regulatory body is already an ordinary member;
- 2. any other eligible body with an appropriate responsibility for securities regulation.

A self-regulatory body is not eligible for associate membership.

Associate members do not have the right to vote and are also precluded from membership of the Executive Committee; however they are members of the Presidents Committee.

Affiliate

A self-regulatory body (SRO), or an international body, with a mission related to either the development or the regulation of securities regulation is eligible for this category of membership.

Affiliate members do not have a vote, are not eligible for the Executive Committee and are not members of the Presidents Committee. SROs affiliate members form the SRO Consultative Committee.

Previous Annual Conferences

Lima, Peru January 1976 * Buenos Aires, Argentina November 1977* Queretaro, Mexico November 1978* Rio de Janeiro, Brazil November 1979* Montreal, Quebec September 1980* Washington, D.C., United States of America May 1982* Quito, Ecuador April 1983 Toronto, Ontario August 1984 Cartagena, Colombia June 1985 Paris, France July 1986 Rio de Janeiro, Brazil September 1987 Melbourne, Australia November 1988 Venice, Italy September 1989 Washington, D.C., United States of America September 1990 Washington, D.C., United States of America September 1991 London, United Kingdom October 1992 Mexico City, Mexico October 1993 Mexico City, Mexico October 1994 Paris, France July 1995 Montreal, Quebec September 1996 Taipei, Chinese Taipei November 1997 Nairobi, Kenya September 1998 Lisbon, Portugal May 1999 Sydney, Australia May 2000 Stockholm, Sweden June 2001 Istanbul, Turkey May 2002 Seoul, Korea May 2003 Amman, Jordan May 2004 Colombo, Sri Lanka April 2005 Hong Kong, China May 2007 Paris, France May 2008 Tel Aviv, Israel June 2009 Montreal, Quebec June 2010 Cape Town, South Africa April 2011 Beijing, China May 2012	Caracas, Venezuela	September 1974*
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	Montreal, Quebec	June 2010
Beijing, China May 2012	Cape Town, South Africa	April 2011
	Beijing, China	May 2012

^{*} Conferences of the Inter-American Conference of Securities Commissions, the forerunner of IOSCO.



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General Secretariat

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KPMG Auditores S.L.

Edificio Torre Europa Paseo de la Castellana, 95 28046 Madrid

Independent Auditors' Report on the Financial Statements

To the Members of

International Organization of Securities Commissions (IOSCO)

We have audited the accompanying financial statements of the International Organization of Securities Commissions (hereinafter the "Organization"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, statement of changes in members funds and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of International Organization of Securities Commissions (IOSCO) as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG AUDITORES, S.L.

Madrid, 31 March 2011



Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2010

	2010	2009
REVENUE		
Contributions from members (note 3)	1,873,049	1,824,546
Secondment program (note 3)	185,849	223,794
Annual conferences (note 3)	120,000	120,000
Exchange gain	756	-
Other	19,044	21,455
Total revenue	2,198,698	2,189,795
EXPENSES		
Salaries and employee benefits	1,589,298	1,826,906
Rental and maintenance (note 11)	82,413	90,037
Travelling	283,233	265,471
Office supplies	26,549	22,313
Organisation and follow up of meetings	63,885	40,206
Telecommunications	89,406	62,902
Delivery and communication	9,423	17,968
Printing and Annual Report	20,591	16,202
Computer	134,294	140,645
Professional fees	38,624	56,513
Educational programmes	80,984	36,194
Miscellaneous	51,473	35,147
Exchange loss	-	4,712
Depreciation of capital assets (note 5)	37,532	60,969
Total expenses	2,507,705	2,676,185
Excess of revenue over expenses before tax		
(expenses over revenue)	(309,007)	(486,390)
Taxation (note 9)	-	-
Excess of revenue over expenses net of tax	(309,007)	(486,390)
(expenses over revenue)		
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	(309,007)	(486,390)
(in euros)		

The accompanying notes are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2010

	2010	2009
ASSETS		
Current assets		
Cash (note 4)	1,249,953	1,518,817
Accounts receivable	36,429	17,153
Prepaid expenses	26,982	13,721
	1,313,364	1,549,691
Capital assets (note 5)	67,073	85,320
Total assets	1,380,437	1,635,011
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	327,323	227,155
Contributions received in advance	35,000	80,735
Total liabilities	362,323	307,890
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	(309,007)	(486,390)
Unrestricted members' funds	1,327,121	1,813,511
Total members' funds	1,018,114	1,327,121
Total liabilities and members' funds (in euros)	1,380,437	1,635,011

The accompanying notes are an integral part of the financial statements.

CHANGES IN MEMBERS' FUNDS

Year ended December 31, 2010

		2010	2009
Balance, beginning of year	UNRESTRICTED 1,327,121	TOTAL 1,327,121	TOTAL 1,813,511
Excess of revenue over expenses net of tax (expenses over revenue)	(309,007)	(309,007)	(486,390)
Balance, end of year	1,018,114	1,018,114	1,327,121

(in euros)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	(309,007)	(486,390)
Depreciation of capital assets (note 5)	37,532	60,969
Decrease (increase) in working capital items (note 8)	21,896	(524,692)
Net cash generated	(249,579)	(950,113)
INVESTING ACTIVITIES		
Term deposits transactions	_	1,000,504
Capital expenditures (note 5)	(19,285)	(53,801)
Net cash used	(19,285)	946,703
Net increase (decrease) in cash and cash equivalents	(268,864)	(3,410)
Cash and cash equivalents, beginning of year	1,518,817	1,522,227
Cash and cash equivalents, end of year	1,249,953	1,518,817
CASH AND CASH EQUIVALENTS		
Cash (note 4)	1,249,953	1,518,817
Total cash and cash equivalents	1,249,953	1,518,817

(in euros)

The accompanying notes are an integral part of the financial statements.

On behalf of the International Organization of Securities Commissions (IOSCO)

Greg Tanzer

Secretary General

1 Governing Statutes and Purpose of the Organization

The non-profit organization IOSCO (hereinafter "the Organization"), incorporated under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is an association of securities regulatory organisations. During 2001 the Organization changed its domicile to Madrid (Spain). It is recognised by the Spanish Government by means of the Third Additional Disposition of Law 55/1999.

IOSCO is the international standard setter for securities regulation. Its current membership comprises regulatory bodies from over one hundred jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared in Euros which is the organization's functional currency.

These financial statements were authorised for issue by the Secretary General of the Organization on 25 March 2011.

Measurement base

The financial statements have been prepared on an accrual basis with all assets and liabilities, other than financial instruments, valued at historical costs. Financial instruments are measured on a fair value basis.

Accounting estimates

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue and cost recognition

Member contributions are deferred when prepaid and recognised as income only upon accrual and receipt.

Revenue received in advance represents prepaid members contributions.

Operating costs are recognised as an expense when incurred.

Cash and cash equivalents

The Organization's policy is to present cash and cash temporary investments, which are readily convertible into cash and subject to an insignificant risk of change in value, having a term of three months or less from the acquisition date, as cash and cash equivalents.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Any impairment in the net recoverable amount as compared to the net carrying amount is recognised immediately.

Gains and losses on disposal are included in the Statement of Comprehensive Income.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Furniture and fixtures	Straight-line	20%
Computer equipment		
Computers and Software	Straight-line	33%
Servers	Straight-line	25%

Foreign currency translation

The Organization's functional and presentational currency is Euros. Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are recognised in the Statement of Comprehensive Incomes when they arise.

Monetary assets and liabilities denominated in foreign currencies are translated to Euros at the foreign exchange at the end of the reporting period. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income.

3 Revenue

Contributions from members include membership fees collected in the year, corresponding to contributions due for the reporting period and previous reporting periods and contributions from members applying for membership.

Secondment program revenue includes contributions from members sponsoring staff to join temporarily the General Secretariat. These contributions generally cover a portion of the seconded staff's salary costs paid through the Organization.

In 2010 the Organization had the benefit of seconded staff from the British Columbia Securities Commission (BCSC), the Capital Markets Authority of Kenya (CMA), the Financial Supervisory Service of Korea (FSS), the Portuguese Securities Market Commission (CMVM), the Financial Industry Regulatory Authority of the US (FINRA), the Romanian National Securities Commission (CNVM), the Capital Markets Board of Turkey (CMB), the Financial Services Agency of Japan (JFSA) and the Ontario Securities Commission (OSC).

Annual conference revenue represents the contribution from the member hosting the Annual Conference.

Other revenue is comprised basically by interest income on short-term deposits, professional fees from the World Bank for participation of IOSCO staff as a securities expert in their Financial Sector Assessment Programmes and marginally by sales of IOSCO documents.

4 Cash

	2010	2009
Cash in U.S. Dollars (US\$ 3.615 in 2010; US\$ 4.703 in 2009)	2,727	3,782
Cash in Euros	1,247,226	1,515,035
Total cash	1,249,953	1,518,817

(in euros)

There are no restrictions for the use of cash.

5 Capital Assets

			2010
	Furniture and fixtures	Computer equipment	Total
At the lower of recoverable value and cost			
Balance, beginning of year	21,369	524,332	545,701
Additions	5,042	14,243	19,285
Disposals	-	-	-
Balance, end of year	26,411	538,575	564,986
Accumulated depreciation			
Balance, beginning of year	(11,000)	(449,381)	(460,381)
Depreciation	(4,080)	(33,452)	(37,532)
Disposals	-	-	-
Balance, end of year	(15,080)	(482,833)	(497,913)
Net as at December 31, 2010	11,331	55,742	67,073

(in euros)

			2009
	Furniture and fixtures	Computer	Total
At the leaves of secondale selection and each	Tixtures	equipment	IOLAI
At the lower of recoverable value and cost			
Balance, beginning of year	14,858	477,042	491,900
Additions	6,511	47,290	53,801
Disposals	-	-	-
Balance, end of year	21,369	524,332	545,701
Accumulated depreciation			
Balance, beginning of year	(8,149)	(391,263)	(399,412)
Depreciation	(2,851)	(58,118)	(60,969)
Disposals	-	-	-
Balance, end of year	(11,000)	(449,381)	(460,381)
Net as at December 31, 2009	10,369	74,951	85,320

(in euros)

6 Accounts payable and accrued liabilities

	2010	2009
Professional services	13,355	12,309
Occupancy	65,000	63,000
Spanish Taxes (employee's income tax withheld) and Social Security	45,228	41.881
Contractual staff commitments	135,000	90,000
Other	68,740	19,965
Total Accounts payable and accrued liabilities	327,323	227,155

(in euros)

7 Financial Instruments

Short-term financial instruments

Cash, term deposits, accounts receivable and accounts payable are financial instruments whose fair value approximates their carrying amount, given that they will mature in the short term and are not perceived to bear any significant credit risk.

8 Information Included in the Statement of Cash Flows

The increases (decreases) in working capital items are detailed as follows:

	2010	2009
Accounts receivable	19,276	6,482
Prepaid expenses	13,261	9,694
Accounts payable and accrued liabilities	(100,168)	439,016
Contributions received in advance	45,735	69,500
Increases (decreases) in working capital	(21,896)	524,692

(in euros)

9 Taxation

On 29 December, 1999, the Spanish Parliament passed legislation (Law 55/1999), to exempt the Organization from Spanish income tax.

10 Government Assistance

As part of the localization agreement in Madrid, IOSCO receives from the Spanish Authorities the right to use the 12 Oquendo premises free of charge, exclusive of non-structural maintenance expenses (electricity, water, elevator maintenance, etc) up to a maximum of € 85,414 for the year 2010 (€ 82,926 for the year 2009). This amount is adjusted annually by the corresponding Consumer Price Index. The total for non-structural maintenance expenses has not yet exceeded the above mentioned cap.

The agreement between the Comisión Nacional del Mercado de Valores (CNMV) and IOSCO set out that the CNMV will be responsible for meeting the costs of: security and maintenance of security systems in the IOSCO premises; insuring the premises; and municipal and local property taxes. These costs have been estimated at € 51,261 for 2010.

11 Rental and Maintenance

	2010	2009
Estimated Spanish Authorities' charges for non structural maintenance costs	65,000	63,000
Other external maintenance services	17,413	27,037
Total rental and maintenance	82,413	90,037

(in euros)

12 Subsequent Events

In the opinion of the management there are no significant events that need to be reported.

On behalf of the International Organization of Securities Commissions (IOSCO)

Greg Tanzer

Secretary General