



Report from the Chair of the Assessment Committee

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This has been a year of significant achievement for the Assessment Committee (AC). Our projects and reports continue to underscore our strategic importance in both IOSCO and as part of the international implementation monitoring agenda.

Before outlining the achievements for 2015, I would like to summarize the AC's responsibilities and outline what I see as our value add.

Our Responsibilities

We have three primary responsibilities.

The **first** is the design and conduct of Thematic Reviews, which are reviews of implementation across our membership of particular elements of *IOSCO Objectives and Principles of Securities Regulation* (IOSCO Principles) and other IOSCO standards and guidance.

The **second** is the design and conduct of Country Reviews, which are reviews of self assessments prepared by particular IOSCO members about their implementation of the IOSCO Principles.

The **third** is maintaining and periodically updating the IOSCO Principles and supporting Methodology (Methodology) through the Implementation Task Force Sub-Committee (ITFSC).

Our Value Add

Our value add to IOSCO and our members lies in the following.

The **first** is in identifying, through our reviews, opportunities for members to align their regulatory frameworks with IOSCO's Principles, standards and guidance. Our findings lay the foundation both for regulatory reform and for capacity building initiatives.

The **second** is in encouraging the development of regulatory frameworks consistent with IOSCO's Principles, standards and guidance across our membership. This consistency can contribute to members recognizing regulatory approaches in other jurisdictions as equivalent and, in turn, can contribute to reducing barriers and hurdles to cross-border activity.

The **third** is ensuring that the IOSCO Principles (and Methodology) are up to date, accessible and usable.

This value add highlights the key role we play in IOSCO – in particular linking IOSCO's standard setting and capacity building work – a role recognized and supported as a priority in the IOSCO 2020 Strategic Direction.

Our Achievements

During 2015, we published reports on five projects – four Thematic Reviews and our first Country Review.

Thematic Reviews

In July, we published final reports of our *Review of Implementation of Progress in Regulation of Derivative Market Intermediaries* (DMI Review) and *Thematic Review of the Implementation on the Timeliness and Frequency of Disclosure to Investors according to Principles 16 and 26 of the IOSCO Objectives and Principles of Securities Regulation* (Disclosure Review).

The DMI Review provided useful information on the status of reforms in a key post-crisis reform area. The Disclosure Review provided opportunities for members



to reflect on the need for reform and opportunities for IOSCO to reflect on whether further guidance is needed based on the range of practices the review identified.

In September, we published final reports of our *Peer Review of Regulation of Money Market Funds (MMF Review)* and *Peer Review of Implementation of Incentive Alignment Recommendations for Securitisation (Securitisation Review)*. These reviews considered implementation of key standards developed by IOSCO. The reports found that participating jurisdictions had made significant but varied progress in implementing IOSCO's Incentive Alignment Recommendations and adopting regulation and policies across eight MMF Reform Areas. As G20/FSB priority areas, the reports were shared with the G20. Follow up work to these reviews has been requested by the FSB and will be conducted in 2016.

Country Reviews

In July, the AC published the final report of our first Country Review of the Islamic Republic of Pakistan. The Review – sought by the Securities and Exchange Commission of Pakistan (SECP) –

assessed implementation of IOSCO Principles. The report identified progress through the SECP's reform programs and identified gaps and weaknesses. It included a roadmap to guide addressing the gaps and weaknesses that the SECP will report on through 2016. We are aiming to conduct a follow up review which might start in late 2016. The Review Team responsible for the review and the AC appreciated the SECP's commitment, not only to participate in the review, but to take on board and address our recommendations. That commitment is essential to the effectiveness and value of our Country Reviews.

Maintaining and Updating the Principles and Methodology

We have dedicated significant thought and effort this year to updating the IOSCO Principles and supporting Methodology. These documents are not only the basis for assessments undertaken by the International Monetary Fund, the World Bank and the AC, but they also provide important guidance to growth and emerging markets about the core elements of an essential regulatory framework for securities markets activities.



Under the leadership of Philipp Sudeck of Germany's BaFin, the ITFSC has made good progress in applying the two-stage review process set out in the *Framework for Updating the IOSCO Principles and Methodology* (the Framework) and agreed to by the Board in April 2014.

The coming year

This, again, will be an active year for the AC.

We will complete and publish follow up work to our 2014 Reviews of the implementation of IOSCO's *Principles for Financial Benchmarks* by the administrators of key IBOR (published in February 2016) and FX benchmarks. These two "direction of travel" reports will test progress in implementing the recommendations in the earlier reviews.

We will also commence follow up work to our 2015 MMF Review and Securitisation Review. The outcomes of these reviews will also be reported to the FSB and G20 Leaders.

We will also complete a review started in 2015 on assessing progress in implementing IOSCO's 2014

Recommendations regarding the Protection of Client Assets. This project will raise awareness of how these recommendations can address an area of real interest and concern to a broad cross section of IOSCO's membership.

We will finalize our Country Review of Trinidad and Tobago, started in 2015, undertake a Country Review of Sri Lanka and consider the timing of a follow up review of Pakistan.

Of particular importance, we will aim to complete our work in updating and revising the IOSCO Principles and Methodology.

Finally, and importantly we will be piloting a new form of implementation monitoring in 2016 – the IOSCO Standards Implementation Monitoring (ISIM) Programs.

Our experience over the last two years in particular has highlighted the resource intensive nature of our work. Despite the value of our work to date, we are exploring other, more resource efficient, ways of delivering the benefits of our work. The ISIM



Programs – one focused on implementation of G20-driven reforms by FSB jurisdictions, the other on implementation by GEM members of key IOSCO Principles – will give us the chance to do this.

A further challenge for us in 2016 will be to develop our thinking about assessing the impact and effectiveness of IOSCO standards and guidance. This is timely, considering it is now six years since IOSCO took its first steps to address the issues flagged by the crisis.

Our work to date has focused primarily on whether members have taken steps to implement standards and guidance. Our value to IOSCO and the global regulatory community will be enhanced by turning our minds to understanding and reporting on the difference that implementation of IOSCO standards and guidance has made.

A Thank You

I would like to extend my thanks to each and every member of the AC and to our Review Team members for their contributions to our work. Our work has seen

constructive, engaging and stimulating meetings in Pretoria, Berlin, Sydney (and the Blue Mountains). But it has also been challenging, intense and resource intensive work. We would not have been able to achieve all that we have without the energy and commitment of our members – and that of their agencies. That commitment is enormously appreciated.

I want particularly to thank Raluca Tircoci-Craciun of the IOSCO Secretariat for her unflinching and invaluable support to the AC. She has kept us on track – and done so with her usual diplomatic aplomb.

Finally, I would also like to thank Amarjeet Singh of SEBI, the AC Vice Chair, for his great support and dedication to and belief in our work through the year. The ISIM programs owe much to his foresight and practical thinking.

I also want to thank Philipp Sudeck of BaFin for his enthusiasm, dedication and discipline in leading the ITFSC's work on the Principles and Methodology review.



The IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) Screening Group

- > Chair: **Georgina Philippou** (UK FCA)
- > Vice Chair: **Jean-François Fortin** (Québec AMF)

The *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (MMoU) represents a common understanding among its signatories of how they should consult, cooperate, and exchange information for the purpose of regulatory enforcement regarding securities markets.





The Screening Group is tasked with reviewing MMoU applications to establish if applicants meet the requirements for becoming signatories to the *IOSCO MMoU*. At the same time, the IOSCO General Secretariat offers guidance and other assistance to non-signatories to encourage them to move forward with their applications.

MMoU Compliance

In 2015, three IOSCO members signed the MMoU, bringing the total number of signatories at year end to 106:

- > The Bank of Russia, February
- > The Financial Services Commission of Jamaica, February
- > The Securities and Exchange Commission of Central Africa, November

Another 18 were listed on Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions, but are committed to becoming signatories. One member had not yet agreed to be listed on that Appendix and a further two applications were in an initial review process. Of the 21 members who were on the IOSCO List of Non-signatories ('2013 MMoU List')⁹ at year end, most have taken concrete steps to address, through legislative amendments, the

issues preventing them from complying with all MMoU requirements.

The growing number of signatories has increased cross-border cooperation, enabling regulators to investigate a growing number of insider trading cases, fraudsters and other offenders. In 2006, a total of 526 requests for assistance were made pursuant to the MMoU; the annual figure increased to 2,658 in 2013, to 3,080 in 2014 and to 3,203 in 2015.

Enhanced MMoU

The current MMoU has set the benchmark for international cooperation among securities regulators in enforcement matters. By facilitating information sharing and cooperation, the MMoU enables the detection and prosecution of fraud and illegal conduct, deters wrongdoers and prevents regulatory arbitrage.

But, since 2002, when the current MMoU was established, there have been significant changes in the sophistication and size of global financial markets, and in the technology that both facilitates and potentially disrupts them. In 2010, IOSCO asked the Screening Group to confront these challenges by developing "*a further standard beyond the existing IOSCO MMoU, taking into account developments in markets and supervisory and enforcement practices.*"

In 2015, the Screening Group moved significantly closer to completing its work on an Enhanced MMoU, which would give new powers to signatories while fostering greater collaboration among them.

⁹ The Executive Committee decided that IOSCO should create a list after 1 January 2013 to include members who had failed to file an application to become a signatory of the IOSCO MMoU. The list is called the '2013 List', but it is kept updated.