New Financial Architecture and International Standard Setting in the Post-Crisis Era

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Main Issues for Consideration in Addressing Systemic Risks

- Are national and local regulators and supervisors able to cope with the increasingly cross-sectoral issues arising in the global financial system and capital markets?

- Are regulators and supervisors able to address the issues arising from expanding perimeter of regulation?

- Is there enough cooperation/coordination among different regulators and supervisors, both within national borders and across countries/jurisdictions?

What role could international standard-setting bodies (e.g. IOSCO) play in this kind of environment?

The Framework for Global Regulatory Coordination to Address Systemic Risks

- G20 Summit Meeting
- FSB (Financial Stability Board)

FSB plays a coordination role in addressing cross-sectoral regulatory issues in cooperation with each SSB

- BCBS (Basel Committee on Banking Supervision)
- **IOSCO (International Organization of Securities Commissions)**
- IAIS (International Association of Insurance Supervisors)

The boundaries between each SSB is becoming ambiguous

Major Issues in Standard Setting

- **Systemic Risk in Non-Bank Sector**

  Institutions other than banks, such as FMIs could be systemically important.

- **Shadow Banking**

  The traditional regulatory system for banks could not appropriately address the increasingly broader sources of systemic risk.

- **OTC Derivatives**

  There is a need to address systemic risk arising from financial markets, as well as financial institutions. Stronger market infrastructure needs to be built urgently with appropriate safeguards.

Measures for Implementation

- **IOSCO Principles and Standards**
  - *Establishment of the Assessment Committee*
  - *The conduct of Country Reviews and Thematic Reviews of IOSCO Principles and standards*

- **IOSCO MMoU**
  - *Provision of necessary support to achieve full implementation of the IOSCO MMoU amongst its membership and potential IOSCO members*

IOSCO's Challenges

"Forward-Looking" IOSCO

IOSCO needs to:

- increase its presence at G20 and FSB, and to enhance policy discussions;
- place equal importance on securing market integrity and efficiency as well as enhancing investor protection and utility; and
- effectively contribute to simultaneously achieving stability and efficiency in the entire financial system by disseminating its forward-looking views, and thus enhancing its global presence.

IOSCO's Challenges (cont.)

"Open" IOSCO

IOSCO needs to:

- enhance involvement of a wide range of members, take in different need of members, and strengthen effective communication with members so that the voices from members, industry and other relevant stakeholders will be properly heard; and

- prioritize projects by properly reflecting the needs of all members collected through surveys and dialogues with particular emphasis on taking in the real needs of emerging market jurisdictions.

IOSCO's Challenges (cont.)

"Inclusive" IOSCO

IOSCO needs to:

- enhance support for implementation of principles and recommendations by members (especially by emerging market jurisdictions) and promote financial inclusion;
- prioritize technical assistance and investor protection/education through utilizing the IOSCO Foundation; and
- ensure involvement of relevant securities/derivatives regulators with substantial power and influence in respective markets to effectively promote globally-coordinated regulatory initiatives.

Thank you!

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