MEDIA RELEASE

IOSCO Quarterly Update

June 2008

Key Issues - Credit Rating Agencies, Subprime Crisis, IOSCO Annual Conference, Investment Management.

For further information contact:

David Cliffe, Communications Officer

Direct Line: + 34 91 787 0419       Outside office hours: + 34 679 969 004

Email: d.cliffe@iosco.org Website www.iosco.org

The announcements and publications below reflect IOSCO's work in support of its objectives, which are:

- The protection of investors
- Ensuring that markets are fair, efficient and transparent;
- The reduction of systemic risk

Recent IOSCO publications:

- Press Releases

Click on the link to view the full press release on IOSCO’s website

18 June 2008 Joint Statement on IASC Foundation

Authorities Responsible For Regulation of Public Companies Announce Next Steps Regarding The Creation Of A Group To Interact With The International Accounting Standards Committee Foundation
29 May 2008 **Final Communiqué of the 33rd Annual Conference of the International Organization of Securities Commissions (IOSCO)**

29 May 2008 **IOSCO Publishes Recommendations to Address Subprime Crisis**

IOSCO published the final report of its Technical Committee’s Task Force on the Subprime Crisis. The report contains an analysis of the underlying causes of the subprime crisis, the implications for international capital markets and recommendations that address the issues facing securities regulators.

28 May 2008 **IOSCO to Implement Changes to Code of Conduct for Credit Rating Agencies**

The International Organization of Securities Commissions (IOSCO) published the final report containing amendments to the *Code of Conduct Fundamentals for Credit Rating Agencies* (Code of Conduct).

The changes to the Code of Conduct have been introduced following a public consultation process involving regulators, credit rating agencies (CRAs) and financial market stakeholders. These changes are intended to address issues which have arisen in relation to the activities of CRAs in the market for structured finance products. Structured finance products backed by U.S. subprime retail mortgages have figured prominently in the recent global market turmoil, and the quality of the credit ratings of these products – and the CRA policies and methodologies that resulted in these ratings – have been questioned by many securities regulators and market observers.

27 May 2008 **IOSCO to Expand Review of Audit Services Issues; Releases Report On Regulators' Contingency Plans For Service Disruption**

The Audit Services Task Force of the IOSCO Technical Committee, under the direction of U.S. Securities and Exchange Commission Chairman Christopher Cox, Chairman of the IOSCO Audit Services Task Force and incoming Chairman of the IOSCO Technical Committee, announced its agenda for the coming months.

The Task Force will expand the scope of its work to include a number of audit services-related issues. Specifically, the Task Force will focus on the following audit related issues:

- Transparency and governance of audit firms, including the intersection of governance with both firm viability and audit quality;
The scope of audit reports, including varying levels of assurance in different circumstances, the possibility of enhanced disclosure of the bases for different levels of assurance, and the potential role of joint audits; and

Potential expansion of allowable organizational structures and forms to allow for greater firm viability and industry competition.

20 May 2008 The Nominating Committee of the Monitoring Group Welcomes the European Commission to Its Membership, Announces Reappointment of the Public Interest Oversight Board

The Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS), the International Organization of Securities Commissions (IOSCO), and the World Bank, who collectively form the Nominating Committee of the Monitoring Group (the Nominating Committee), welcome the European Commission (EC) to membership.

The Nominating Committee has responsibility to nominate members to the Public Interest Oversight Board (PIOB) which oversees the public interest activities of the International Federation of Accountants (IFAC). These activities include the setting of international auditing standards and ethical and education standards for the accounting profession as well as the IFAC Member Body Compliance Program.

• Corporate Documents

May 2008

IOSCO Annual Report 2007

April 2008

Methodology For Assessing Implementation Of The IOSCO Objectives And Principles Of Securities Regulation, IOSCO Report
Up-dated with references to work done by IOSCO from September 1998 to February 2008.

IOSCO Objectives and Principles of Securities Regulation, IOSCO Report
Up-dated with references to work done by IOSCO from September 1998 to February 2008.
Technical Committee Reports

June 2008

An Experiment Within the Technical Committee Standing Committee on Investment Management to Establish a Framework for Identifying Strategic Priorities - Final Report

In recent years, financial organizations and regulators have been making increasing use of formalized tools for assessment and prioritization of strategic issues. For instance, as far as prudential risks are concerned, Basel II capital adequacy rules have implemented “more risk sensitive minimum capital requirements for banking organizations,” and prompted banks to develop risk assessment techniques. In addition, certain risk-based approach frameworks have also been designed and implemented by several financial market regulators (e.g., by the Australian Securities and Investments Commission (ASIC), the United Kingdom’s Financial Services Authority (FSA), and the New Zealand Securities Commission).

Against this background, several elements have led the Technical Committee of the International Organization of Securities Commissions (IOSCO) to consider ways to reduce the complexity of its own decision making process.

Report on Funds of Hedge Funds - Final Report

In its report entitled “Regulatory and Investor Protection Issues Arising from the Participation by Retail Investors in (Funds-of) Hedge Funds” as published in February 2003 (“IOSCO 2003 Report”), the IOSCO Technical Committee (“TC”) considered the particular regulatory issues arising from the investment of retail investors into hedge funds and described some approaches for addressing the consequences of such issues upon retail investors. The report further underlined that most regulators were more concerned with funds of hedge funds than with hedge funds themselves, as the former are the primary vehicles used for attracting retail investment in the hedge fund area.

In consideration of the increasing popularity of funds of hedge funds among retail investors and of the important regulatory developments made in this area in various jurisdictions, the TC decided in February 2007 that further work should be carried out under a new mandate with a view to assessing whether the regulatory principles presented in the IOSCO 2003 Report needed to be amended and/or completed. It specified that this work focused on retail oriented funds of hedge funds.

Review of the Regulatory Issues Relating to Real Estate Funds

In October/November 2007, a questionnaire about real estate funds was circulated among the members of the IOSCO Technical Committee Standing Committee on Investment Management (SC5). The intention of the questionnaire was to compare the regulation of real estate funds in the different jurisdictions and, if possible, to
identify common themes and problems to be able to decide whether this subject needs further attention of SC5 in the near future.

SC5 determined that the real estate fund subject was a very important one to be kept under close watch. In this regard and in consideration of its immediate priorities, SC5 therefore decided to consider whether to undertake further work in this field in the medium-term. For the time being, SC5 believes that the summary of SC5 members’ responses to the questionnaire provides useful information.

**Report on Private Equity - Final Report**
In November 2007 IOSCO published a Consultation Paper prepared by the Technical Committee in relation to Private Equity. The paper had two objectives. Firstly to identify those issues generated by the activity of the private equity industry which potentially create risks that impact on IOSCO's objectives and principles. Secondly, having identified these relevant issues, it set out the next steps IOSCO proposed to take.

This paper reports on the feedback received during the consultation period and the next steps that IOSCO will be taking as a result.

May 2008

**Report on the Subprime Crisis - Final Report**
A rise in foreclosures in the subprime retail mortgage market in the United States has led to instability in global credit markets. As a consequence of these events, at the November 2007 meeting of the International Organization of Securities Commissions (IOSCO), the Technical Committee agreed to establish a Chairmen’s Task Force to systematically study the subprime market turmoil and its effects on the public capital markets and make any necessary recommendations to better protect public markets from the spillover effects resulting from possible systemic problems caused by activity on private markets. The Task Force’s analysis and recommendations may prove useful not just to securities regulators but to other international organizations studying the issue as well.

**Comments Received in Relation to the Consultation Report, The Role of Credit Rating Agencies in Structured Finance Markets**

**Code of Conduct Fundamentals for Credit Rating Agencies**

**The Role of Credit Rating Agencies in Structured Finance Markets - Final Report**
In April 2007 the Technical Committee asked the CRA Task Force to analyze the role CRAs play in the structured finance market and make recommendations if the CRA Task Force concludes that the IOSCO CRA Code of Conduct should be modified to better address issues relating to CRA activities in this area. In conducting its
analysis, the CRA Task Force has worked closely with the Subprime Task Force, and the CRA Task Force’s conclusions support and are incorporated into the work of the Subprime Task Force.

**Contingency Planning for Events and Conditions Affecting Availability of Audit Services**
The IOSCO Technical Committee has developed this paper to assist IOSCO members in considering and preparing for potential contingencies that may arise involving audit firms and that may affect the delivery of audit services in the global capital markets. It presents a collection of information about issues and experiences encountered in past events and conditions that affected the auditing of financial statements of public companies. IOSCO members are encouraged to consider the information in this paper to anticipate and prepare for events and conditions that may affect the delivery of audit services in the capital markets. Members are also encouraged to consider the possibility of international impacts that may arise in a contingency situation and to communicate with other regulators and affected parties to the extent possible. Aids for such communication are discussed in this paper.

*Joint Forum Reports (IOSCO, BCBS and IAIS)*

April 2008

**Customer Suitability in the Retail Sale of Financial Products and Services**
This report considers how supervisors and regulated firms across the banking, securities and insurance sectors deal with the risks posed by mis-selling of retail financial products, including related regulatory requirements, both with regard to disclosure of information to retail investors and requirements on firms to determine whether recommended investment products are *suitable* for such investors. A broad range of supervisors provided details of the regime in their respective countries. These supervisors included sector-based, functional regulators and integrated regulators.

**Cross-Sectoral Review of Group-Wide Identification and Management of Risk Concentrations**
This paper builds upon prior work conducted by Joint Forum working groups in the area of risk integration and aggregation1 and aims to explore the progress that financial conglomerates have made in identifying, measuring, and managing risk concentrations on a firm-wide basis and across the major risks to which the firm is exposed.

**Credit Risk Transfer – Developments from 2005 to 2007**
Credit risk transfer has grown quickly, often with complex products, and provides concrete benefits to the global financial system. The benefits of credit risk transfer (CRT) are well understood and have not changed since the Joint Forum’s first CRT
report in 2005. CRT allows credit risk to be more easily transferred and potentially more widely dispersed across the financial market. CRT has made the market pricing of credit risk more liquid and transparent. But CRT also poses new risks. A failure to understand and manage some of these risks contributed to the market turmoil of 2007.

- **Newsletters**

  **IOSCO Newsletter - Issue No. 7 (April 2008)**

- **Briefing Notes**

  29 May 2008  [Subprime Recommendations](#)

  28 May 2008  [Amendments to Credit Rating Agencies Code of Conduct](#)

- **IOSCO Annual Conference 2008**

  The 33rd Annual Conference recently took place in Paris from 26 to 29 May 2008, the public documents from the conference can be found at this [link](#).

- **Speeches from 33rd IOSCO Annual Conference**

  28 May 2008  –  [Jane Diplock, Chairperson IOSCO Executive Committee Opening Ceremony Address](#)

  28 May 2008  –  [Michel Prada, Chairman IOSCO Technical Committee Opening Ceremony Welcome Address](#)

  28 May 2008  –  [Guillermo Larrain, Chairman IOSCO Emerging Markets Committee Opening Ceremony Address](#)

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International Organization of Securities Commissions
C/ Oquendo 12
28006 Madrid
Spain

Phone: + 34 91 417 5549
Fax: + 34 91 555 9368