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SECTION 2 – 1996 REFORM OF BY-LAWS – EXPLANATORY MEMORANDUM

APPENDIX 1 – PROPOSAL PRESENTED TO PRESIDENTS COMMITTEE IN 2011 EXPLAINING THE CHANGES TO THE BY-LAWS TO REFLECT CHANGES IN STRUCTURE

APPENDIX 2 – VOTING ARRANGEMENTS UNDER BY-LAWS 28.1 AND 28.2
PREAMBLE

THE SECURITIES ADMINISTRATORS listed in the Appendix 2:

CONSIDERING that the securities markets play a fundamental role in the raising of funds, the allocation of resources and the financing of enterprises and public entities;

CONSIDERING that the securities markets allow the offer of a wide selection of financing instruments to enterprises and to public entities, and a wide choice of investment instruments to investors;

RECOGNIZING that the domestic securities markets are increasingly being integrated into a global market;

WISHING that, by this integration, the securities markets provide, at the international level, the benefits derived at the domestic level;

WISHING development of securities markets at both the domestic and international levels to be guided by a constant concern for investor protection;

BELIEVING that the best means to achieve these aims is by fostering consensus;

RESOLVE:

- 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;

- 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;

AND DECIDE, to achieve these objectives, to assemble together in the International Organization of Securities Commissions, governed by the present By-Laws.
Part 1

General Provisions

1.1 Securities commissions and similar bodies with responsibility for securities regulation are joined together in the International Organization of Securities Commissions (IOSCO) to better carry out their respective missions through the forum for discussions and cooperation provided by the Organization.

1.2 In particular, the objective of the Organization is to enable members to exchange information with a view to:

(a) developing securities markets and improving their efficiency;

(b) coordinating the enforcement of securities regulation; and

(c) implementing common standards.

2. The General Secretariat of the Organization is located in Madrid.

The ordinary member from the jurisdiction in which the General Secretariat is located has an observer status in the IOSCO Board if it is not a member of that Board.
**Part 2**

**Members**

3. The Organization consists of the following types of members:

   (a) ordinary members;

   (b) associate members; and

   (c) affiliate members.

4. At the time of the adoption of the By-Laws in 1996, all members of the Organization that were neither affiliate nor associate members became ordinary members of the Organization.

5. The adoption of the By-Laws in 1996 did not change or affect in any way the membership of bodies that were affiliate or associate members.

6. A national securities commission or a similar governmental body with significant authority over securities or derivatives markets is eligible for ordinary membership of the Organization provided it is an MMoU signatory. Where there is no such national authority, provincial authorities with authority over securities or derivatives markets are eligible for ordinary membership provided they are MMoU signatories. Notwithstanding the first sentence of By-law 6 an Ordinary Member will continue to remain an Ordinary Member if it had this status on 18 September 2013 without being signatory to the Multilateral Memorandum of Understanding.

7.1 If there is no governmental regulatory body in a country, a self-regulatory body, such as a stock exchange, from that country is eligible for ordinary membership of the Organization.

7.2 The ordinary membership of the self-regulatory body admitted to the Organization under Section 7.1 lapses if a governmental regulatory body from the same country becomes an ordinary member of the Organization.

8.1 An association that consists of the public regulatory bodies is eligible for associate membership of the Organization.

8.2 The following are eligible for associate membership of the Organization:

   (a) supranational governmental regulators;

   (b) subnational governmental regulators where there is a national governmental regulator;

   (c) intergovernmental international organizations and other international standard-setting bodies;
(d) other governmental bodies with an appropriate interest in securities regulation; and

(e) national governmental regulators who are not MMoU signatories and who are not ordinary members.

8.3 (deleted)

8.4 (deleted)

9.1 The following bodies are eligible for affiliate membership of the Organization.

(a) self regulatory organizations (SROs);

(b) securities exchanges;

(c) financial market infrastructures (including clearing and settlement agencies);

(d) international bodies other than governmental organizations with an appropriate interest in securities regulation;

(e) investor protection funds and compensation funds; and

(f) any other body with an appropriate interest in securities regulation that the IOSCO Board may decide for the purpose of furthering the objectives of the Organization.

9.2 (deleted)

10. To become a member of the Organization, a body must apply in writing to the Secretary General. The application must be accompanied by the prescribed membership contribution.

11. If the application is for ordinary membership, it must include:

   (a) a brief description of securities regulation in the applicant's country, including the bodies which exercise regulatory functions with regard to securities in that country;

   (b) a translation of the primary securities legislation of that country in one of the official languages of the Organization;

   (c) a declaration, signed by the president of the applicant, that the body has reviewed and accepts the present By-Laws and Resolutions adopted by the Presidents Committee.

12. If the application is for associate membership, it must include a description of the applicant and its mission.
13. If the application is for affiliate membership, it must:

(a) include a description of the applicant and its mission; and

(b) be endorsed in writing by the ordinary member, or ordinary members, of the applicant’s country (if applicable).

14. A body will become a member if its application is accepted by the IOSCO Board.

14.1 Annual membership contributions for the calendar year are required to be paid before 30 June of that year. The annual contribution will be deemed outstanding if the member does not make the payment by that date.

14.2 If the annual membership contribution remains outstanding at the end of the calendar year, an interest rate of 5% per annum will be charged in addition to the annual contribution. This interest will be charged from the first day of the following year until the total outstanding balance is settled. The IOSCO Board will have the power to reduce the rate of interest or waive interest payment in exceptional cases, notably those cases beyond the control of the member.
Part 3

Structure of the Organization

15. The Organization is comprised of the following organs:

   (a) the Presidents Committee;

   (b) the IOSCO Board;

   (b) (i) the Growth and Emerging Markets Committee;

   (c) the General Secretariat;

   (d) the Regional Committees; and

   (e) the Consultative Committees.

16. The Presidents Committee is comprised of the presidents of ordinary members, or their agents.

17. The composition of the IOSCO Board shall be such as may be determined by the Presidents Committee and documented by a formal resolution.

18. (deleted)

19. (deleted)

20.1 Each ordinary member is represented at the meetings of the Presidents Committee by the president of the commission or body, or by any other person within the commission or body appointed by them.

20.2 The vote of an ordinary member may be exercised only by the person representing that ordinary member.

21. The IOSCO Board appoints the Secretary General for a period of up to three years.

22. A Regional Committee is comprised of members from the same region, being one of the regions recognized by the Presidents Committee under Section 58.

23. A Consultative Committee is comprised of a group of members, designated by the IOSCO Board under Section 65.

24. The members of the Organization meet annually at the Annual Meeting.

25. At an Annual Meeting held in every even-numbered year (“a Biennial Meeting”), the various Committees of the Organization and the IOSCO Board hold elections for their various office-holders.
[25.2 *(to take effect in conjunction with the 2016 Annual Meeting:*) Notwithstanding Article 25.1, the Growth and Emerging Markets Committee, the Regional Committees and the Affiliate Members Consultative Committee may each hold elections for their office-holders at their last meetings before a Biennial Meeting of the Organization; such an election should normally not be held more than six months before a Biennial Meeting. The term of officeholders elected before a Biennial Meeting in accordance with this Article shall commence at that Biennial Meeting for the two year term defined in Article 37.2.]

[25.3 *(to take effect in conjunction with the 2016 Annual Meeting:) If an office is vacated between an election under Article 25.2 and the following Biennial Meeting, the candidate elected under Article 25.2 will complete the remainder of the vacating office-holder's term and then hold the office for the two year term defined in Article 37.2.]*
Part 4

Presidents Committee

26. The Presidents Committee has all the powers necessary or convenient to achieve the objectives of the Organization. In particular, the Presidents Committee:

(a) examines and approves the Resolutions submitted by the IOSCO Board or by a member;
(b) elects ordinary members to the IOSCO Board if required pursuant to Section 17;
(c) recognizes Regional Committees;
(d) determines the annual contribution of members; and
(e) imposes sanctions upon members.

27. Each ordinary member of the Organization is a member of the Presidents Committee and has one vote at meetings of that Committee and any other Committees to which they belong.

28.1 In the case of a country where the subdivisions have exclusive jurisdiction over securities, the regulatory bodies of the subdivisions of that country that are ordinary members shall have a maximum of three votes for all the subdivisions together in elections in meetings of the Presidents Committee, IOSCO Board, Growth and Emerging Markets Committee, Regional Committees, and in meetings of any other committee or on any other occasion where elections are held.

28.2 In the case of elections pursuant to By-law 28.1 the shared voting arrangements defined in Appendix 4 of the By-laws shall apply.

29. *(deleted)*

30. Associate members may attend and speak at meetings of the Presidents Committee.

30.1. Affiliate members may attend the Presidents’ Committee meeting to hear detailed reports on the work and key developments of the Organization. Affiliate members are not entitled to vote at the Presidents’ Committee meeting

31. Observers and special guests may not attend meetings of the Presidents Committee unless invited by the Chairman with the concurrence of a majority of the members.

32.1 The Chairman of the Annual Meeting is the Chairman of the Presidents Committee during the Annual Meeting. At all other times the Chairman of the IOSCO Board is the Chairman of the Presidents Committee.
32.2 When an ordinary member hosts the Annual Meeting, the president of that ordinary member is the Annual Meeting Chairman. Otherwise, the IOSCO Board appoints the Annual Meeting Chairman before the meeting.

33.1 The Chairman of the Presidents Committee calls the meetings of the Committee.

33.2 Deliberations among members of the Presidents Committee conducted by any means of electronic telecommunication are a valid meeting. In principle, decisions of the Presidents Committee outside of the Annual Meetings should be taken only by written procedure. However, where necessary and in exceptional circumstances, decisions could be taken by teleconference. Where necessary, electronic voting procedures may be used for decision making on urgent matters outside of the Annual Meeting.

34. The Chairman chairs the deliberations of the Committee and the Secretary General keeps the Minutes of the meeting.

35. A majority of the ordinary members will constitute a quorum of the Presidents Committee.

36.1 Except in extraordinary circumstances, Resolutions on policy matters arising from the work of the Committees of the Organization or the IOSCO Board must be submitted to the Secretary General at least 14 days prior to the first meeting of the Presidents Committee during the Annual Meeting. The Secretary General must then circulate the Resolutions to members of the Committee.

36.2 If necessary, Resolutions are put to a vote.

36.3 A Resolution to amend the By-Laws must have the support of 2/3 of the members in attendance.

36.4 Other Resolutions must have the support of a majority of the members in attendance.
Part 5

IOSCO Board

37.1 The IOSCO Board shall be constituted for a period of two years at a meeting held at every Biennial Meeting.

37.2 For the purposes of these By-Laws, "two years" means the period between successive Biennial Meetings, even if this period is more or less than 24 months.

38. At a meeting held at each Biennial Meeting after the appointment of a new IOSCO Board, the IOSCO Board Members choose, from among themselves, a Chairman and such a number of Vice-Chairmen as the Board may decide, for a period of two years until the next Biennial Meeting. The Chairman of the Growth and Emerging Markets Committee shall be the IOSCO Board Vice-Chair ex-officio, unless he is the Chairman of the IOSCO Board.

39.1 The appointment to the office of Chairman or Vice-Chairman is a personal appointment. If either office is vacated before the next Biennial Meeting, a new election for that office must be held. The term of the substitute office-holder expires at the next Biennial Meeting.

39.2 If a person who holds the office of Chairman or Vice-Chairman ceases to hold their office in the body that is a member of the Organization, the IOSCO Board members may choose to elect, from among themselves, a new person to that IOSCO Board office. If a new office-holder is chosen, their term expires at the next Biennial Meeting.

40.1 Subject to the By-Laws, the IOSCO Board takes all decisions and undertakes all actions necessary or convenient to achieve the objectives of the Organization.

40.2 In particular, the IOSCO Board:

(a) prepares a program of activities and an annual budget to be approved by the Presidents Committee;

(b) acts as liaison among members of the Organization;

(c) accepts the admission of new members;

(d) appoints the Secretary General;

(e) recommends regional groupings of members for recognition by the Presidents Committee as Regional Committees;

(f) recognizes Consultative Committees;

(g) recommends the Agenda for the Presidents Committee for that Committee's approval;
(h) recommends to the Presidents Committee the imposition of sanctions upon members; and

(i) carries out other duties assigned to it by the Presidents Committee.

41.1 The IOSCO Board may make Protocols, not inconsistent with the By-Laws, detailing administrative matters that are necessary or convenient for carrying out or giving effect to the By-Laws.

41.2 The Secretary General must circulate copies of the Protocols to all members of the Organization as they are adopted and consolidations of the Protocols as necessary.

42. The Chairman of the IOSCO Board calls and chairs its meetings. If the Chairman is absent, one of the Vice-Chairmen acts in his or her place.

43. The Secretary General keeps the Minutes of the meetings and may also call a meeting of the Committee, in consultation with members of the IOSCO Board.

44.1 Half of the members of the IOSCO Board constitutes a quorum.

44.2 If necessary, decisions are put to the vote and must have the support of the majority of the members in attendance. In the event of a tie, the Chairman shall have a casting vote.

45. Deliberations among members of the IOSCO Board conducted by any means of electronic telecommunication are a valid meeting.

46. The Chairman reports on the work of the IOSCO Board to the Presidents Committee during each Annual Meeting.

47. The Chairman of the IOSCO Board may ask other persons to attend IOSCO Board meetings.
Part 6

Growth and Emerging Markets Committee

48. The Growth and Emerging Markets Committee acts subject to the By-Laws.

49. The Growth and Emerging Markets Committee reports to the IOSCO Board.

50.1 The Growth and Emerging Markets Committee may adopt its own rules and procedures, providing these are not inconsistent with the By-Laws or Protocols.

50.2 Until the Growth and Emerging Markets Committee adopts such measures, it is governed by the By-Laws and Protocols relating to the operations of the IOSCO Board, with such changes as are necessary.

50.3 The Secretary General will circulate to all members copies of rules and procedures adopted by the Growth and Emerging Markets Committee as they are adopted and consolidations of those rules and procedures as necessary.
Part 7

General Secretariat

51. The Secretary General administers the General Secretariat. In particular, the Secretary General:

(a) keeps the records of the Organization;
(b) ensures that the By-Laws, Resolutions and Protocols are kept up to date;
(c) monitors compliance by members with the By-Laws and Resolutions;
(d) examines applications for membership to ensure that they comply with the By-Laws;
(e) examines applications for recognition of Regional Committees;
(f) assists the IOSCO Board and Committees of the Organization in their functions;
(g) represents the Organization in meetings with or presentations to other groups and bodies, subject to the review of the Chairman of the IOSCO Board;
(h) prepares the Annual Report of the Organization; and
(i) executes all other functions that are assigned to them by the IOSCO Board.

52.1 The Secretary General acts in accordance with the decisions of the IOSCO Board and the guidance of the IOSCO Board Chairman as the representative of the IOSCO Board.

52.2 The Secretary General may also perform work for the Growth and Emerging Markets Committee. In this case, he acts at the direction of the Chairman of that Committee.

53. The expenses for the operation of the General Secretariat are the responsibility of the Organization.

54. The records of Annual Meetings are to be kept at the offices of the General Secretariat of the Organization.
Part 8

Regional Committees

55. Ordinary members from a region of the world may apply to be recognized as a Regional Committee.

56. Applications for recognition are sent to the Secretary General who examines them and submits them to the IOSCO Board.

57. To be recognized, a Regional Committee must, in the opinion of the IOSCO Board, be representative of its proposed region.

58. The Presidents Committee may, upon the recommendation of the IOSCO Board, approve an application for recognition as a Regional Committee.

59. At the date of the adoption of these By-Laws, the Regional Committees recognized by the Organization are the:

   (a) Africa / Middle-East;

   (b) Asia-Pacific;

   (c) European; and

   (d) Interamerican;

Regional Committees.

60. A Regional Committee:

   (a) acts as a forum in which members of that region may discuss topics of special interest and consider issues being discussed by the IOSCO Board;

   (b) coordinates the distribution of information among members of that region;

   (c) elects ordinary members if required pursuant to Section 17 from among the ordinary members of that region to the IOSCO Board; and

   (d) carries out such other functions relevant to its region that are not inconsistent with the By-Laws and Protocols.

61. [in effect until the Annual Meeting 2016:] At a meeting held at every Biennial Meeting, a Regional Committee will choose, from among its members, a Chairman for a period of two years until the next Biennial Meeting.

[61. (to take effect in conjunction with the Annual Meeting 2016:) At a meeting held at every Biennial Meeting, a Regional Committee will choose, from among its members, a Chairman and a Vice-Chairman for a period of two years until the
next Biennial Meeting.]

62.1 [in effect until the Annual Meeting 2016:] Appointments to the office of Chairman are personal appointments. If the office of Chairman is vacated before the next Biennial Meeting, a new election for that office must be held. The term of the substitute office-holder expires at the next Biennial Meeting.

[62.1 (to take effect in conjunction with the Annual Meeting 2016:) Appointments to the office of Chairman and Vice-Chairman are personal appointments. If either office is vacated before the next Biennial Meeting, a new election for that office must be held. The term of the substitute office-holder expires at the next Biennial Meeting.]

62.2 [in effect until the Annual Meeting 2016:] If a person who holds the office of Chairman ceases to hold their office in the body that is a member of the Organization, the Committee members may choose to elect, from among themselves, a new person as Chairman. If a new office-holder is chosen, their term expires at the next Biennial Meeting.

[62.2 (to take effect in conjunction with the Annual Meeting 2016:) If a person who holds the office of Chairman or Vice-Chairman ceases to hold their office in the body that is a member of the Organization, the Committee members may choose to elect, from among themselves, a new person to that office. If a new office-holder is chosen, their term expires at the next Biennial Meeting.]

63. The Chairman of a Regional Committee coordinates the response of members of that Committee to issues being discussed by the IOSCO Board and represents that Regional Committee at IOSCO Board meetings.

64. A Regional Committee may determine its own rules and procedures, provided that these are not inconsistent with the By-Laws or Protocols.
Part 9

Consultative Committees

65. The IOSCO Board may establish a Consultative Committee by designating a group of members.

66. At the time of the adoption of the revised By-Laws in 2013, the existing SRO Consultative Committee became the Affiliated Members Consultative Committee.

67. A Consultative Committee acts as a forum in which a group of members may discuss matters of common interest.

68. A meeting of a Consultative Committee is called by the Chairman of that Committee in consultation with the Secretary General and the Chairman of the IOSCO Board.

69. At a meeting held at every Biennial Meeting, a Consultative Committee will choose, from among its members, a Chairman for a period of two years until the next Biennial Meeting.

70.1 Appointments to the office of Chairman are personal appointments. If the office of Chairman is vacated before the next Biennial Meeting, a new election for that office must be held. The term of the substitute office-holder expires at the next Biennial Meeting.

70.2 If a person who holds the office of Chairman ceases to hold their office in the body that is a member of the Organization, the Committee members may choose to elect, from among themselves, a new person as Chairman. If a new office-holder is chosen, their term expires at the next Biennial Meeting.

71. A Consultative Committee may determine its own rules and procedures, providing that these are not inconsistent with the By-Laws or Protocols.
Part 10

Annual Meetings

72. Members meet every year at the Annual Meeting.

73. The IOSCO Board may make any arrangements necessary or convenient for the holding of an Annual Meeting, including the holding of it in conjunction with a public conference.
Part 11

Official Languages

74. The official languages of the Organization are English, French, Portuguese and Spanish.

75. The official languages of an Annual Meeting are English, French, Portuguese, Spanish and any other language selected by the host country.

76.1 Papers and documents intended to be distributed at an Annual Meeting must be submitted at least in English.

76.2 Papers and documents for meetings of the Presidents Committee must be distributed in all the official languages of the Organization.
Part 12

Sanctions

77. The Presidents Committee may, upon the recommendation of the IOSCO Board, impose sanctions upon members for repeated failure to pay contributions.

78. Before the IOSCO Board recommends to the Presidents Committee the imposition of sanctions against a member, the IOSCO Board must give that member:

   (a) reasonable notice of its intention to recommend the imposition of sanctions; and

   (b) an opportunity for that member to make representations concerning the intended recommendation.

79. For the purposes of these By-Laws, “sanctions” means:

   (a) the suspension of a member's voting rights for a period determined by the Presidents Committee;

   (b) the suspension of a member from membership of the Organization for a period determined by the Presidents Committee; or

   (c) the exclusion of a member from membership of the Organization.

80. If sanctions are imposed on a member, the Annual Report for that year will record that fact.
Part 13

Annual Report

81. The Secretary General is responsible for the preparation of an Annual Report of the Organization, in consultation with and/or review by any Audit Committee the IOSCO Board may have established and subject to the approval of the Chairman of the IOSCO Board. The Annual Report is prepared for the period ending December 31 and will include accounts for the Organization in respect of that calendar year.
Part 14

Explanatory Memorandum

82. The By-Laws are to be interpreted purposively in light of the Proposal presented to the Presidents Committee at its meeting in 2011 and, to the extent relevant, the Explanatory Memorandum for the reform of the by-laws carried out in 1996.
Part 15

Standard Setting and related activities

83. The standard setting and related activities of the Organization (including any decisions reached or documents issued) are not binding and do not give rise to any legal rights or obligations. Members participate in the Organization in accordance with their respective legal and policy frameworks, which may not be modified or superseded by these By-laws or any decision of the Organization. Member participation in any of the Organization’s standard setting or projects, reports, or other activities should not be viewed as an expression of a judgment by any member regarding their current or future regulatory proposals, rulemaking, or standards implementation work or limit their choices regarding proposed or final versions of their rules or standards.