

# **CONSULTATION REPORT**

## **PRIVATE EQUITY**



**OICU-IOSCO**

**TECHNICAL COMMITTEE  
OF THE  
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

**NOVEMBER 2007**

**This paper is for public consultation purposes only. It has not been approved for any other purpose by the IOSCO Technical Committee or any of its members.**

## Foreword

IOSCO is pleased to publish the consultation paper prepared by the Technical Committee in relation to Private Equity. The paper has 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 sets out the next steps to be taken by IOSCO.

The paper is published for information and comment. Comment as to whether the paper correctly analyses the risks would be welcomed.

## How to Submit Comments

Comments may be submitted by one of three methods **at the latest on 20 February 2008**. To help us process and review your comments more efficiently, please use only one method.

### 1. E-mail

- Send comments to Ms. Isabel Pastor: [isabel@iosco.org](mailto:isabel@iosco.org)
- **The subject line of your message should indicate “Comments on the IOSCO Technical Committee Consultation report on Private Equity”**
- Please do not submit attachments as HTML, GIF, TIFF, PIF, or EXE files.

**OR**

### 2. Fax

Send a fax to the attention of Ms. Isabel Pastor, using the following fax number:

34 (91) 555 93 68.

**OR**

### 3. Mail

Send your comment letter to:

Ms. Isabel Pastor

IOSCO General Secretariat

C/ Oquendo 12

28006 Madrid

Spain

- **Your letter should indicate prominently that it is a public comment on the “IOSCO Technical Committee Consultation Report on Private Equity”**

**Important:** All comments will be made publicly available, unless anonymity is specifically requested. Comments will be converted to PDF format and then posted on the IOSCO-website. Personal identifying information will not be edited from submissions.

## Executive Summary

1. In its 2007 work programme, the IOSCO Technical Committee mandated a Task Force on private equity to conduct a preliminary review of private equity markets with a view to identifying any suitable issues which could be addressed through future IOSCO work. The Task Force approached this by: identifying a set of issues which private equity markets may pose to capital markets; analysing which of these issues may be pertinent to IOSCO's stated objectives and principles; and forming recommendations for the Technical Committee as to what further work might be considered within the IOSCO and international regulatory framework.
2. This analysis has identified seven specific issues relating to private equity markets that have been raised as potential risks to financial markets, of which six are relevant to IOSCO's objectives. These are outlined in detail in the main section of this report. In considering further work, to avoid any duplication due regard have been given to work that has already taken place in IOSCO and other international fora. The Technical Committee has therefore agreed to pursue the following two pieces of work in future work programmes:
  - A survey of the complexity and leverage of capital structures employed in leveraged buyout transactions across relevant IOSCO jurisdictions. This would allow assessment of the potential impact that the default of large private equity portfolio companies could have on the efficient operation of related public debt securities markets and any systemic issues which may arise as a result. As this work would involve input from leveraged finance providers and will include issues of interest to banking regulators, the Technical Committee will recommend this work for consideration within the Joint Forum; and
  - Analysis of conflicts of interest which arise during the course of private equity business and the controls utilised across relevant IOSCO member states which aim to provide appropriate levels of investor protection. Key areas of focus will be public-to-private transactions and the listing (or subsequent re-listing) of private equity portfolio companies. These situations potentially have a heightened impact on public securities markets and investors. This work will incorporate both private equity firms and market intermediaries and will focus on identifying conflicts which are present, or are unique, within the context of private equity transactions as they relate to public markets. When defining this work, due regard will be given to existing IOSCO work in areas such as disclosure<sup>1</sup>, corporate governance<sup>2</sup>,

---

<sup>1</sup> International Disclosure Principles For Cross-Border Offerings And Listings Of Debt Securities By Foreign Issuers; IOSCO International Disclosure Standards For Cross-Border Offerings And Initial Listings By Foreign Issuers; General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations.

<sup>2</sup> Board Independence Of Listed Companies - Final Report, Report of the Technical Committee of IOSCO (March 2007)

debt market transparency<sup>3</sup> and conflicts of interest<sup>4</sup>, in order to avoid duplication of previous efforts. The Technical Committee has also mandated that consideration will be given to participation by industry and investors throughout this process.

---

<sup>3</sup> IOSCO Report on Transparency of Corporate Bond Markets (May 2004).

<sup>4</sup> Market Intermediary Management of Conflicts that Arise in Securities Offerings, Report of the Technical Committee of IOSCO (Feb 2007) – Final Report expected Q4 2007

## Background

3. At the meeting of the IOSCO Technical Committee on 7 February 2007 it was agreed that a Task Force would be assembled in order to conduct a preliminary review of the private equity sector. This was communicated externally via the publication of the Committee's work program<sup>5</sup> in March 2007. This decision reflected the growing importance and influence of private equity within global capital markets. The purpose of the Task Force was outlined as being to assess the issues posed to securities markets by private equity, determine which are relevant to IOSCO's mandate, and recommend appropriate work that could be taken forward within the IOSCO framework.

## Scope

4. The purpose of this memo is to present the conclusions of this work. This document is split into three discreet sections:
  - An overview of issues the Technical Committee consider are posed by private equity to capital markets in general (Section 1);
  - Analysis of which issues are relevant to IOSCO's stated objectives and principles and therefore merited consideration for further work (Section 2); and
  - An overview of the work that the Technical Committee will be including in future work programmes on these issues as a result of this report (Section 3).
5. The description 'private equity' is used throughout this paper to encompass the activities of venture capital and private equity businesses and therefore incorporates leveraged buyout (LBO) transactions. Definitions of private equity can differ substantially by jurisdiction, and in many cases the scope of some firm's activities makes it very difficult to define a clear set of 'private equity market participants'. It is also noted that the scope of some participant's business means they may not be subject to registration or supervision by securities regulators within their domestic jurisdiction. The scope of this report has therefore been limited solely to activity which typically falls within the remit of securities regulators.
6. For the purposes of this document the following definitions to describe private equity market participants are used consistently throughout:
  - Private equity firm – a firm, that operates, manages or advises funds which undertake private equity or venture capital business;
  - Private equity portfolio company – a target company in which private equity firms invest on behalf of their funds;
  - Market intermediaries – the banks, including investment banks, that originate debt for private equity transactions and can also act as advisers to private equity firms and target portfolio companies; and

---

<sup>5</sup> Consultation Report: An Overview of the work of the IOSCO Technical Committee (March 2007)

- Investors – participants who commit capital, often as Limited Partners in a limited partnership structure, to funds operated by private equity firms.
7. It is recognised that some of the topics focus on the bigger firms and transactions, and not the bulk of venture capital and smaller deals which form a large portion of activity in this sector. However, regulatory risk may be more visible in such transactions and this report considers it proportionate to assess them in this context.
  8. The Technical Committee has also noted that linkages exist between private equity business and other private capital vehicles that intersect with securities markets (e.g. hedge funds). It is acknowledged that significant work in such areas has already been conducted within IOSCO and, therefore, this report focuses solely on private equity business.

## Section 1 - Overview of issues posed by private equity to Capital Markets

9. This section outlines a number of issues posed by private equity markets that are considered pertinent to capital markets in general. The following section will consider their relevance to IOSCO's objectives.
10. **Increasing leverage:** A relatively benign economic environment in recent years until the middle of 2007, specifically with low global interest rates and narrow credit spreads, appears to have encouraged a growth in lending associated with leveraged buyout (LBO) activity. Empirical evidence from certain jurisdictions has suggested that leverage levels employed in such transactions in those jurisdictions are increasing.<sup>6</sup> Where such leveraged activity is growing, it may place increased pressure on the future capacity of the companies involved to service their debt. Under certain conditions, this may increase the probability of these companies ultimately experiencing financial distress and default. Given that this topic is typically associated with larger LBO deals, and therefore bigger portfolio companies, this may have negative implications for lenders (particularly before distribution), purchasers of the debt (specifically where these positions are concentrated or leveraged), orderly markets and conceivably, in extreme circumstances, financial stability. In some circumstances, public securities markets may also be affected as, following a public to private transaction, some firms retain the listing of previously issued debt securities. It is also likely that any disorderly market behaviour as a result of defaults in private equity backed transactions will be felt in both public and private markets.
11. **Market abuse:** The significant flow of price sensitive information in relation to private equity transactions, as with other merger and acquisition (M&A) activity, creates potential for market abuse. In some markets, this flow may increase with greater size and complexity in transactions and when more parties become involved. If a jurisdiction does not have sufficient market abuse oversight mechanisms in place, market abuse can undermine investor confidence in a market and affect the liquidity investors are willing to provide to issuers in the future.
12. **Conflicts of interest management:** Private equity transactions can present material conflicts for a number of parties including private equity firms, investors, target portfolio companies and market intermediaries, many of which are present in other types of M&A activity. Some parties can, and do, take on multiple roles with respect to the same transaction, and there also may exist conflicts between these parties' advisory and proprietary activities. For example, in a Management Buy-out (MBO), current management in the process of taking ownership of a company may not always have an incentive to act in the best interests of existing shareholders by recommending a sale at the highest possible sale price, despite a fiduciary duty to do so. Where public companies are involved, regulators and investors therefore emphasise the controls that firms have in place (e.g. Limited Partnership Agreements, Chinese walls, special committees of outside directors, etc.) to ensure that these potential conflicts do not undermine investor confidence in the marketplace.

---

<sup>6</sup> A 2006 ECB survey of leveraged buyout activity demonstrated that leverage levels were rising steadily in larger transactions in Europe (typically > €1bn). However, the picture is less clear outside of the EU where limited quantitative data is publicly available. Moreover, following the recent financial market turmoil, a number of high profile, large PE transactions are being repriced or challenged owing to material adverse change.



13. **Transparency:** Current and prospective private equity investors typically receive a substantial level of disclosure from private equity firms. However, critics have raised a number of issues regarding transparency related to PE firms:
- Standardisation of valuation and performance reporting – Industry standards, such as the International Private Equity and Venture Capital Valuation Guidelines, exist and, whilst widely used, have not been adopted consistently across the industry. Currently, it can be difficult for investors to make objective comparisons across private equity firms in order to determine their optimal investment strategy. While this issue does not touch on the regulation of public markets, it has been argued that a lack of consistency might undermine investor confidence in private equity firms;
  - Disclosure to wider stakeholders – Investors in private equity transactions demand detailed and commercially sensitive information. However, the wider market receives relatively little information on the activities and performance of funds, portfolio companies and private equity firms. While this asymmetry of information is topical in certain jurisdictions, this report does not consider it to be an issue specifically relevant to the regulation of securities markets at this time; and
  - Retail involvement – Private equity is currently a wholesale focused sector in the majority of jurisdictions. If direct retail investor access is sought, then securities regulators in individual jurisdictions will need to assess the adequacy of their regulatory environment to deal with this type of business.
14. **Overall market efficiency** – As with most investors, the private equity sector naturally targets firms with the highest expected return on invested capital. Once significant gains have been realised, firms look to exit their investments either via an initial public offering, a secondary buyout by another private equity investor or a strategic corporate merger. Therefore private equity ownership can form an important part of the development lifecycle of a firm. However, it has been argued that this trend has the potential to create issues for some public securities markets including:
- Public investors losing access to firms during the period of their development when they are subject to maximum growth before they are returned to public ownership. This has the potential to result in a public market consisting of mature companies or volatile and risky firms in which private equity firms are not interested. It can also be noted that private equity investors tend to focus on acquiring “undervalued” or poorly performing issuers, and thus private equity acts as a powerful mechanism for ensuring that managers of public companies are competent and seek to maximize shareholder value;
  - In some jurisdictions, concerns exist that high volumes of private equity activity may have a detrimental effect on the quality, size and depth of public markets and, potentially, the fair and efficient operation of those markets; and
  - Governance in public firms focusing on short term share price levels, not long term strategic growth, in order to protect against becoming a take-over target.

Others note that private equity practices provide distinct benefits to a capital market. These benefits include widening the availability and source of capital, increasing the accuracy of company valuations (factoring in their growth potential), enhancing the

efficiency of corporate capital structures and facilitating corporate development. On a more micro level, benefits could also include avoidance of bankruptcy or other legal restructuring up to and possibly including governmental intervention or, more positively, providing financing and executive skills lacking in current management. In light of these issues, public bodies may therefore need to consider the effective calibration of incentives to participate in public or private markets when considering the appropriateness of incumbent regulatory, taxation and competitive regimes.

15. **Diverse ownership of economic exposure:** The duration and potential impact of any credit event or downturn may be exacerbated by structural issues which make it difficult to identify who ultimately owns the economic risk associated with, typically, a leveraged buyout and how these owners will react in a crisis. These concerns may arise out of the extensive use of opaque and complex risk transfer practices such as assignment and sub-participation, together with the increased use of credit derivatives (which may not be confirmed in a timely manner). The entrance of new types of market participants utilizing different business models adds further complexities. Differences in international insolvency practice and legislation may also add to uncertainty as issuance increasingly takes place cross-border. Some argue that these factors may create opacity which could damage the timeliness and effectiveness of workouts following credit events and could, in an extreme scenario, undermine otherwise viable restructurings. While bodies such as the International Association of Restructuring, Insolvency & Bankruptcy Professionals (INSOL International) have issued principles for workout processes<sup>7</sup> as well as updates on the issues presented by credit derivatives<sup>8</sup>, an area in which ISDA have done notable work on cash settlement protocols, it is unclear how firmly these are embedded in industry practice. Some believe these issues are pertinent to public and private markets alike.
16. **Market Access:** Private equity firms typically raise funds from institutional investors and financially sophisticated individuals; there is currently little direct retail investment.<sup>9</sup> However, some investment entities have sought public listings which, alongside venture capital trusts and private equity investment trusts, will provide some retail exposure to the market risks these firms undertake. In certain jurisdictions, this can also bring the private equity firm itself under a separate regulatory regime from non-listed firms. Other examples include the offering of hybrid securities to retail investors as part of a private equity transaction. Depending on the structure of the offering and the disclosure regulations of the jurisdiction in which the offering is made, this can create opacity in terms of the true risk associated with such securities and the how they are positioned in the case of corporate failure.

---

<sup>7</sup> <http://www.insol.org/statement.htm>

<sup>8</sup> <http://www.insol.org/derivatives.htm>

<sup>9</sup> There is increasing indirect retail involvement through public and private pension fund investments.

## Section 2 - Specific relevance of issues to IOSCO's objectives and principles

17. It is recognised that not all of the issues outlined above are directly relevant to IOSCO's remit with respect to the securities regulation. IOSCO has set three objectives of securities regulation, which are:
  - The protection of investors;
  - Ensuring that markets are fair, efficient and transparent; and
  - The reduction of systemic risk.
18. These objectives are supported by the 30 principles<sup>10</sup> which provide guidance as to IOSCO's recommendations for the desirable attributes of the regulatory framework for public securities markets within a jurisdiction.
19. In order to determine which of the outlined issues are relevant to IOSCO's mandate, and are therefore an area for potential mitigation work within the organisation's regulatory framework, this report presents the results of analysis of the outlined issues against these objectives and principles. This is presented in Table 1 below.
20. It is recognised that differing regulatory regimes, structures and objectives amongst its members may mean that certain areas may not be specifically applicable, as described, within individual regulatory jurisdictions, or potentially fall within the remit of a number of regulatory and self-regulatory organisations.

---

<sup>10</sup> IOSCO Objectives and Principles of Securities Regulation (May 2003)

**Table 1**

<b>Issue</b>	<b>IOSCO Objective</b>	<b>Summary</b>
Increasing Leverage	Investor Protection Systemic risk reduction	<p>Increasing leverage levels and more complex capital structures, typically within buyout transactions, have been identified in recent years within the EU. Limited quantitative data is currently publicly available in other jurisdictions. As with all leverage activity, such growth may enhance the possibility of financial distress and default associated with large and significant deals, creating potential detriment to the secondary markets if the debt is traded. Public securities markets may also be impacted as, following a public to private transaction, some companies retain the listing of previously issued debt securities. If this is the case, an increase in leverage activity by private equity firms may be pertinent to IOSCO objectives with respect to: the protection of investors in public debt and derivative markets; and the reduction of systemic risk to securities markets created either by a large and complex default or a number of simultaneous defaults in private equity transactions.</p> <p>Relevant IOSCO principles exist with respect to market intermediaries, secondary markets, and bond market transparency.</p>
Market Abuse	Investor Protection Fair and efficient markets	<p>Potential for market abuse in the public markets as a result of large private equity transactions is relevant to IOSCO's objectives of both investor protection and the operation of fair, efficient and transparent markets.</p> <p>Relevant IOSCO principles exist with respect to enforcement, issuers (of public debt) and secondary markets.</p>
Conflicts of Interest	Investor Protection Fair and efficient markets	<p>Where conflicts exist between the differing roles and responsibilities that private equity firms and market intermediaries take on in the course of private equity business, detriment can exist to both investors in private equity funds, associated public securities and the fair and efficient operation of those markets.</p> <p>The impact of such conflicts on public securities markets is likely to be heightened in the context of public-to-private transactions and the listing or (re-listing) of private equity portfolio companies.</p> <p>Relevant IOSCO principles exist with respect to collective investment schemes and</p>

		market intermediaries.
Transparency	Investor Protection Fair and efficient markets	<p>From an IOSCO perspective, this issue is of relevance solely to the issuance of publicly traded debt securities as part of the financing of a private equity transaction. Any lack of transparency by the issuer, or in secondary markets, could present detriment to objectives of both investor protection and transparent markets.</p> <p>Relevant IOSCO principles exist with respect to issuers of public debt and secondary markets.</p>
Overall market efficiency	Fair and efficient markets	<p>Whilst the outline issue relates to IOSCO's objective with respect to the efficient market operation, this is not relevant to any of the 30 principles of securities regulation.</p> <p>The Technical Committee therefore considers this issue to be outside of IOSCO's mandate in terms of consideration for potential mitigation action.</p>
Diverse ownership of economic exposure	Investor Protection Fair and efficient markets Systemic risk reduction	<p>The increased complexity of capital structures and market exposure to private equity owned companies creates potential detriment with respect to all three of IOSCO's objectives. In the case of financial distress, including default, of a private equity backed transaction delay and confusion in either the restructuring or settlement process could result in financial loss to investors in the issuer's publicly traded debt securities, as well as lowering overall liquidity within the market with an ensuing impact on market efficiency and, in extreme circumstances, financial stability.</p> <p>Relevant IOSCO principles exist with respect to issuers of public debt and secondary markets.</p>
Market Access	Investor Protection	<p>The variety of ownership and legal structures through which private equity firms operate, and the complex nature of securities issued in private equity transactions, can create challenges for listing authorities in ensuring the appropriate degree of investor protection if those private equity firms have retail investor clients or issue securities to the public and are not required to provide the same level of disclosure as other issuers.</p> <p>Relevant IOSCO principles exist with respect to issuers and collective investment schemes.</p>

### **Section 3 - Consideration of potential further work within the IOSCO framework**

21. The previous sections of this document have been concerned with identifying issues posed by private equity markets which are relevant to IOSCO's stated objectives and principles. Consideration is given within the following section as to further work that could be undertaken, within the IOSCO framework, as mitigation on these issues.
22. It is acknowledged that most of the issues outlined, for example market abuse and conflicts of interest, are not exclusive to private equity. Consideration has therefore been given to other work undertaken within IOSCO on these areas, and whether they provide for an effective response to the specific nature of the issues as posed by private equity.
23. Acknowledgement is given that some of the issues outlined could fall within the remit of other international organisations including the Financial Stability Forum (FSF), the Basel Committee on Banking Supervision (BCBS), the Joint Forum (JF), and the Organization for Economic Cooperation and Development (OECD). In considering appropriate recommendations, this report remains mindful of work already conducted within these fora.
24. The remainder of this section, contained in Table 2 below, will therefore analyse the six issues in turn, considering if relevant work has already been conducted/scheduled and therefore what action has been considered suitable for future IOSCO work programmes.

**Table 2**

<b>Issue</b>	<b>IOSCO work (post 2005)</b>	<b>Work in other regulatory organisations</b>	<b>Work recommended by the Technical Committee as a result of this report</b>
Increasing Leverage	N/A	<ul style="list-style-type: none"> <li>• Large banks and private equity-sponsored leveraged buyouts within the EU – a report on financial stability, ECB (April 2007).</li> <li>• The FSF in a press release in March 2007 outlined that it would monitor developments in corporate leverage and implications for financial stability.</li> <li>• Studies on credit risk concentration: an overview of the issues and a synopsis of the results from the Research Task Force project, BCBS (Nov 06).</li> <li>• Credit Risk Transfer, Joint Forum (Mar 05) – the JF are in the process of updating this report following developments in credit markets since 2004.</li> </ul>	<p>The Technical Committee will ask the Joint Forum to consider the feasibility of a survey of leveraged buyout activity across member jurisdictions. An appropriate focus for this survey would be to understand current practice with respect to leverage levels and the complexity of capital structures in leveraged buyout transactions. The survey could also be used to determine the amount of publicly traded debt securities which private equity owned companies retain. This would highlight any regional differences and allow for a greater understanding of the potential impact of leverage on securities markets and any potential systemic implications.</p> <p>Such a survey would require input from the banking and market intermediary community, including investment banks. The Technical Committee therefore considers that such work would be most appropriately taken forward by the Joint Forum.</p>
Market Abuse	<ul style="list-style-type: none"> <li>• Multi-jurisdictional Information Sharing for</li> </ul>	<ul style="list-style-type: none"> <li>• Market abuse is an area of key focus across other international fora as well as within</li> </ul>	Market abuse and financial fraud remains a key priority of IOSCO, and within

	<p>Market Oversight (Feb 07)</p> <ul style="list-style-type: none"> <li>Strengthening Capital Markets against Financial Fraud (Feb 05).</li> </ul>	individual regulatory jurisdictions.	individual jurisdictions. Much of this work will encompass private equity activity. The Technical Committee does not therefore consider it relevant to mandate further specific work in this area from a private equity perspective.
Conflicts of Interest	<ul style="list-style-type: none"> <li>Board Independence of Listed Companies - Final Report, Report of the Technical Committee of IOSCO (March 2007)</li> <li>Report on protection of minority shareholders from dominant shareholders or changes in control (Early 2008)</li> <li>Market Intermediary Management of Conflicts that Arise in Securities Offerings (Feb 07) – (Final Report expected Q1 2008).</li> <li>IOSCO Statement Of Principles For Addressing Sell-Side Securities Analyst Conflicts Of Interest, Statement of the Technical Committee of</li> </ul>	N/A	<p>It is recognised that conflicts arising within securities issuance have been comprehensively covered within recent work by SC3 and therefore further work is not proposed in this area.</p> <p>However, this report does recommend further work to analyse the mitigation of potential conflicts of interest which arise during the process of public-to-private, and private-to-public transactions. In these cases, there may be a risk to public investors if conflicts of interest are not managed appropriately. The Technical Committee has therefore proposed a review of conflicts management practice in private equity transactions that directly involve public securities markets, with a view to identifying what conflicts exist and best practice in their management.</p> <p>It is recommended that this work should focus on market intermediaries and acknowledges that, in jurisdictions where private equity firms are within the mandate of the regulators involved in this work, consideration should be given to</p>



	IOSCO (Sep 03).		<p>including such firms within this analysis. Specific focus should be given to identifying conflicts which present heightened concern, or are unique, within the context of private equity transactions.</p> <p>Given that IOSCO has already concluded considerable work that touch on public-to-private and private-to-public transactions, as well as intermediary conflicts of interest, when defining this work, due regard will be given to this existing body of work. This new work will focus on areas where private equity transactions present unique issues, not previously addressed by other IOSCO principles or work.</p>
Transparency	<ul style="list-style-type: none"> <li>• Transparency of Corporate Bond Markets (May 04)</li> <li>• International Disclosure Principles for Cross-Border Offerings and Listings of Debt Securities by Foreign Issuers - Final Report, (Mar 07)</li> <li>• Work on principles for disclosure by listed issuers in periodic reports (ongoing).</li> </ul>	<ul style="list-style-type: none"> <li>• European Commission Directive 2007/14/EC of 8 March 2007 laying down detailed rules for the implementation of certain provisions of Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (Transparency Directive).</li> <li>• CESR transparency expert group work on implementation of the Transparency Directive (Feb 07).</li> <li>• European Commission Regulation (CE) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as</li> </ul>	<p>Comprehensive work has been conducted within IOSCO on transparency within both the primary and secondary markets that relates to private equity activity. These are the key areas of focus for IOSCO as outlined in the second section of this document. Further work, as a result of this report, is not considered necessary in this area.</p>

		regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (Prospectus Directive).	
Diverse ownership of economic exposure	N/A	<ul style="list-style-type: none"> <li>• Credit Risk Transfer, Joint Forum (Mar 05) – the Joint Forum are in the process of updating this report following developments in credit markets since 2004.</li> <li>• Studies on credit risk concentration: an overview of the issues and a synopsis of the results from the Research Task Force project, BCBS (Nov 06).</li> </ul>	<p>Relatively little work has been completed in international fora on whether there may be an impact of increasing complexity in capital structure and economic exposure of corporate securities. It is also, however, acknowledged that workout procedures and restructuring negotiations have traditionally been considered outside of the mandate of securities regulators.</p> <p>This report considers that, given the difference in insolvency legislation and regulatory remits across jurisdictions, any work in this area would not be practical within the IOSCO framework.</p>
Market Access	N/A	N/A	<p>Relatively little focus has been given to the activities of private equity firms and leveraged buyout transactions in this area. It has been generally assumed that retail investment in both private equity funds, and the complex securities issued as a result of their activities is small. This report therefore does not consider any further work appropriate at this time.</p>

## **Appendix 1 - Contributors to the work of the IOSCO Task Force on Private Equity**

**Chair: Hector Sants (FSA)**

**AFM**

Bas ter Weel

**AMF**

Xavier Tessier

**ASIC**

Andrew Crain

**BaFin**

Birgit Ortkemper  
Philipp Sudeck  
Stephan Weilhammer

**CNMV**

Javier Fresno Colet

**CONSOB**

Nicoletta Giusto

**FSA**

David Bailey  
Nina Hingorani

**IOSCO**

Philippe Richard

**OSC**

Ilana Singer

**SEBI**

M. Damodaran

**SEC**

Sherman Boone  
Robert Peterson  
Ethiopsis Tafara