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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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IOSCO/MS/03/2011

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IOSCO survey results on implementation of securitization recommendations

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published the results of a survey on the implementation of its September 2009 recommendations with respect to securitisation and credit default swap markets – [Task Force on Unregulated Markets and Products – Implementation Report](#).

The report shows that all jurisdictions surveyed by the Task Force had at least one, if not multiple initiatives in progress to implement the recommendations on: disclosure; the retention of economic interest (skin in the game); investor suitability, and international coordination; and regulatory cooperation. Most measures are expected to be implemented in 2010 and 2011.

The major themes which emerged from the Task Force's review were that:

- The skin in the game concept is endorsed by most jurisdictions at this time. Furthermore, the majority of member jurisdictions are expected to implement the requirement for originator/sponsors to retain long term economic exposure to the securitisation;
- In many instances, current laws, regulations or market practices for offering documents often covered elements of disclosure and third party service providers. Most jurisdictions are either enhancing or considering enhancements for these areas;
- In relation to investor suitability, most jurisdictions are refining the definition of a *sophisticated* or *wholesale* investor. Depending on the jurisdiction, a greater burden will be put on the issuer/seller (to determine investor suitability) or on the investor (responsibility to buy products they understand); and
- Industry bodies such as the Association for Financial Markets in Europe, Japan Securities Dealers Association, Associação Brasileira das Entidades dos Mercados Financeiro e de

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Capitais, Association of German Banks and Australian Securitisation Forum are working with regulators on various unregulated markets and products related initiatives.

Further Recommendations

The Technical Committee, based on the survey responses and subsequent discussions, has made two further recommendations:

- TFUMP Recommendation 1 – IOSCO recommends regulators encourage improvements in disclosure standards for private or wholesale offerings of securitised products; and
- TFUMP Recommendation 2 – IOSCO recommends regulators engage in international cooperation toward convergence of national regulations, where desirable, and review progress regularly.

The Task Force on Unregulated Financial Markets and Products (TFUMP) was formed in November 2008 in support of G-20 calls for a review of the scope of financial markets and in particular unregulated financial markets and products.

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NOTES FOR EDITORS

1. [Task Force on Unregulated Markets and Products – Implementation Report](#).
2. [Unregulated Markets and Products – Final Report](#), Report of the Technical Committee of IOSCO – September 2009.
3. IOSCO is recognized as the leading international policy forum for securities regulators. The organization's membership regulates more than 95% of the world's securities markets in over 100 jurisdictions and its membership is steadily growing.
4. The [Technical Committee](#), a specialised working group established by IOSCO's Executive Committee, is made up of 18 agencies that regulate some of the world's larger, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. Ms. Kathleen Casey, Commissioner of the United States Securities and Exchange Commission is the Chairman of the Technical Committee. The members of the Technical Committee are the securities regulatory authorities of Australia, Brazil, China, France, Germany, Hong Kong, India, Italy, Japan, Mexico, the Netherlands, Ontario, Quebec, Spain, Switzerland, United Kingdom and the United States.
5. IOSCO aims through its permanent structures:
 - 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; and
 - 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.

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