

MEDIA STATEMENT



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

IOSCO/MS/01/2012

Beijing, 22 May 2012

Final Communiqué on the 37th Annual Conference

During its 37th Annual Conference in Beijing, IOSCO further progressed its contribution to the international regulatory reform agenda.

The meeting also marked important changes to IOSCO's structure intended to stream-line its organization and decision-making, and bring about greater effectiveness and inclusiveness.

Increased need for IOSCO's role

The current economic turmoil highlights the need for securities regulators to work together to identify emerging risks, coordinate regulatory reform across jurisdictions, enhance regulatory and supervisory cooperation, and thereby seek ways to provide a stable and efficient securities market environment, which is a necessary foundation for economic growth. This is particularly so given the increasing importance, highlighted during the Conference, of securities markets as an alternative source of funding to support economic growth and development.

The Conference Sessions and Meetings underscored the importance of IOSCO as both a standard setter and a platform for regulators from both emerging and developed economies to meet the challenges ahead.

As hosts of the conference, the China Securities Regulatory Commission (CSRC) made clear its commitment to work with fellow regulators to strengthen IOSCO by ensuring it

- is structured to continue to provide leadership in the development of regulatory standards for capital markets;
- is capable of meeting the needs of its members and to respond to requests for targeted work by the G20 and the Financial Stability Board (FSB);
- has the resources needed to engage in the early identification of emerging securities markets risk; and

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- is positioned to pursue full implementation among its members of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

Progress on Policy Issues

The Technical Committee continues to work through a number of work streams intended to support the IOSCO Core Objectives of promoting investor confidence in securities markets, ensuring that markets are fair, efficient and transparent, and supporting financial stability through the reduction of systemic risk.

The discussion at the Beijing meeting focused on a series of ongoing projects that respond to the wide-ranging initiatives on international regulatory reform and financial stability identified by the G20 and the Financial Stability Board. The TC members also noted and discussed progress on a number of other work streams undertaken at the initiative of IOSCO.

G20/FSB related issues

The members confirmed their continued interest in addressing the G20 and FSB agenda. The Technical Committee Chairman Masamichi Kono (Vice Commissioner for International Affairs of the Financial Services Agency (FSA) of Japan) noted the critical importance of IOSCO's continued high-quality and timely contribution to the ongoing global efforts in regulatory reform as an independent standard-setting body responsible for securities and derivatives markets, where rapid and dynamic change requires heightened regulatory vigilance.

The Technical Committee considered updates on Money Market Funds, various work streams on the identification methodologies for Systemically Important Financial Institutions (including systemically important market intermediaries) and IOSCO's contribution to other FSB work streams on market-based financing. The Technical Committee progressed a draft Consultation Paper on Global Developments in Securitization Regulation, addressing issues about risk retention, transparency and standardization.

At the meeting, the Technical Committee approved a report prepared by the OTC Derivatives Task Force on Derivatives Market Intermediary Oversight and noted progress on reports to be made to the G20 meetings in Mexico on Price Reporting Agencies, CDS markets and market integrity.

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The Technical Committee also reviewed joint work streams by Committee on Payment and Settlement Systems (CPSS) and IOSCO on Financial Markets Infrastructures and OTC derivatives reforms. With respect to the latter, given the complexity arising from different projects being undertaken by a number of groups including IOSCO itself, the members called for enhanced cooperation and coordination among relevant parties.

Other Policy Initiatives

The Technical Committee also approved reports intended to support members in investigation and enforcement activity. Reports on *Best Practices on the use of Digital Evidence in Cross-Border Investigations* and *Key Elements in the Assessment of an Effective Enforcement Programme* were approved.

The meeting also approved for publication a Consultation Report on *CRA Internal Controls as a Means to Ensure the Integrity of the Ratings Process and Management of Conflicts of Interest*.

Emerging Market's Committee Initiatives

During its meeting, the EMC approved publication of the report on the *Development and Regulation of Institutional Investors in the Emerging Markets* and endorsed the Technical Note on *Day Trading in Emerging Markets* for internal publication.

The Emerging Markets Committee Chairman Dr. Vedat Akgiray, Chair of the Capital Markets Board (CMB) of Turkey, and Vice Chairman Mr. Ranjit Ajit, Chairman of the Malaysian Securities Commission (SC), also emphasized the importance of emerging markets to global capital markets. Ten members of the Committee are members of the G20. Emerging markets now include some of the world's fastest growing economies. The Emerging Markets Committee therefore remains critical.

The importance of implementation and the Assessment Committee

IOSCO continues to recognise the importance of ensuring the full and consistent implementation of its Principles and Standards across its membership and sharing best practice approaches to implementation. The Assessment Committee established in February is intended to support these outcomes through the conduct of Thematic and Country Reviews of implementation of IOSCO Principles and Standards,

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The Executive Committee noted earlier work in establishing processes and developing a forward work plan. Initial reviews are expected to cover implementation of Principles related to systemic risk.

The continuing importance of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information ('MMoU')

The Annual Conference marked the 10th anniversary of the MMoU. The MMoU (first opened to signatories in May 2002) is a framework for co-operation and information sharing in enforcement matters. It is used by securities regulators to help ensure effective enforcement of securities laws and rules, and thereby enhance the integrity and efficiency of securities markets around the globe.

In the last ten years, it has provided securities regulators with the tools for combating cross-border fraud and misconduct that could weaken global markets and undermine investor confidence.

Four IOSCO members signed the MMoU during a ceremony in Beijing, bringing to 86 the total number of full signatories.

Together these participants cover 95% of the world's securities markets.

The new signatories include:

- The Labuan Financial Services Authority
- The Peruvian Superintendencia del Mercado de Valores
- The Egyptian Financial Supervisory Authority
- Mauritius Financial Services Commission

To assist all members to become signatories of the MMoU by 1 January 2013, IOSCO is making available technical assistance and advice to members yet to become full signatories.

The Presidents Committee also adopted a resolution during the Conference designed to assist those that are not full signatories in securing support from their governments or legislatures for implementing the legal and regulatory changes required for compliance with the MMoU.

Initiative to Raise Standards of Cross-Border Cooperation

The IOSCO Contact Initiative with under-regulated or uncooperative jurisdictions continues to be a priority. Substantial progress has been made with a number of previously uncooperative and unresponsive jurisdictions in meeting standards expected by the IOSCO MMoU. The Contact Initiative has assisted these jurisdictions to make genuine improvements in the level of cooperation they are

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able to offer their international counterparts regarding information sharing designed to combat cross-border market misconduct.

Structural Changes and Operational Issues

New IOSCO Board

A new IOSCO Board was constituted at this meeting. The Board, an initiative of the Strategic Direction Review, has absorbed the functions of the Executive Committee, the Technical Committee and Emerging Markets Committee Advisory Board.

By commissioning a single integrated body to take on the governance, standard-setting and development functions of the organization, IOSCO will be more effective and efficient in conveying its messages in one voice.

The new Board is composed of 32 members who will serve a two-year term to 2014. Members include all former Technical Committee members, representatives from each of IOSCO's four regional Committees and the Chair and Vice-Chair of the Emerging Markets Committee who together will ensure an appropriate balance and mix of members.

The criteria for membership of the Board will be reviewed with a view to ensuring a permanent structure is in place by IOSCO's Annual Meeting in Rio de Janeiro in September 2014. The Emerging Markets Committee will remain for the time being. An EMC Task Force was formed during the Annual Conference to define the role of the future EMC within the new IOSCO architecture.

Masamichi Kono was appointed Chair of the Board until March 2013, when he will then be succeeded by Greg Medcraft, the Chairman of the Australian Securities & Investment Commission (ASIC). It was agreed that this transition would take place at the Board meeting in Sydney in March 2013, so that Mr. Medcraft would assume the position of Chair from the end of that meeting till the meeting of the Board at the IOSCO Annual Conference in September 2014.

The Board also appointed as Vice Chairs Dr. Akgiray of Turkey and Mr. Ethiopis Tafara, the Director of the Office of International Affairs at the US Securities and Exchange Commission. Each will be responsible for specific portfolios.

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Regional Committees

Three of the four IOSCO regional committees elected existing Chairs to continue in their roles: the Africa/Middle East Regional Committee elected Ms. Arunma Oteh of the Securities and Exchange Commission (SEC) of Nigeria; the Asia-Pacific Regional Committee elected Mr. U.K. Sinha of the Securities and Exchange Board of India (SEBI) (to May 2013, with Mr Ashley Alder of the Hong Kong Securities and Futures Commission (SFC) taking on the balance of his term); and the European Regional Committee elected Mr. Carlos Tavares of the Comissão do Mercado de Valores Mobiliários (CMVM) of Portugal.

The Inter-American Regional Committee ratified the appointment of Mr. Fernando Coloma of the Superintendencia de Valores y Seguros (SVS) of Chile. In April, Mr. Coloma was appointed Chair of IARC during the meeting of the Council of Securities Regulators of the Americas (COSRA) in Buenos Aires.

New Committees

IOSCO also has merged the policy and standard-setting work of the Technical Committee Standing Committees and Emerging Markets Committee Working Groups, in each area of securities market regulation. An initiative of the Strategic Direction review, the new structure is intended to improve the effectiveness of the committees, making them more robust and inclusive. The meeting approved the membership of these Committees, drawing members from both emerging and developed markets, and full-fledged Self-Regulatory Organizations.

Funding IOSCO's activities

To enhance the effectiveness of the Organization's new strategic direction, the IOSCO Secretary General proposed the creation of an IOSCO Foundation as a vehicle to raise funding from a range of sources to finance IOSCO activities in selected areas.

New funding would go towards expanding the services offered to members, including technical assistance, education and training, and research on global securities market issues. Members voiced support for the initiative and agreed the next steps to be taken with regard to the setting up of the Foundation.

The expanded technical assistance and education and training would mainly target emerging markets, as part of an effort to raise standards and encourage implementation efforts worldwide.

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The SRO Consultative Committee (SROCC)

The SRO Consultative Committee (SROCC) exchanged views and information among its members on a number of emerging regulatory issues facing SROs, including matters related to corporate governance, high frequency trading, risks when intermediary firms outsourcing back office functions, and cooperation among regulatory bodies. The SROCC evaluated the recent training programs co-organized by the SROCC and EMC for SRO officials and emerging market regulators, and reviewed the plan for the next seminar in Istanbul in November 2012. The SROCC also discussed possible ways for SROs to more effectively contribute to the IOSCO's core work utilizing experiences and expertise as frontline regulators. Mr. Jose Carlos H. Doherty, Brazilian Association of Financial and Capital Markets Institutions (ANBIMA), was elected for the next term of the Chairman of the SROCC.

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