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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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IOSCO LAUNCHES TASK FORCE ON RECENT MARKET EVENTS

The International Organization of Securities Commissions (IOSCO) has today announced the creation of a dedicated Task Force on the subprime crisis to review the issues facing securities regulators following the recent events in the global credit markets.

The Task Force will conduct a preliminary review of the issues raised by these events in order to identify any implications for securities regulators which could be addressed through current and future IOSCO work. The review will complement the work being undertaken by other regulatory and governmental bodies in assessing how markets have reacted to the recent event in the credit markets. One of the objectives of the Task Force is to ensure that the implications for securities regulation are reviewed in a systematic manner.

Michel Prada, Chairman of IOSCO's Technical Committee, said:

“IOSCO, in pursuing its role of developing international principles, has established a Task Force to review recent events. The group will engage with securities regulators and the financial services industry to examine how they have responded to the recent crisis, the lessons that can be learned and what further work may be needed by IOSCO.

“The recent events in the credit markets have demonstrated how closely linked the world's financial centres are and that the issues facing securities regulators can no longer simply be

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viewed in a national context. This reinforces the need for regulators to develop and implement international principles of regulation.”

The Chairman's Task Force will concentrate its work in the following areas:

- **Risk Management/prudential supervision:** arising from broker dealer firms involvement in the trading of structured products it will examine their risk assessment processes and assess whether their current models of risk management are sufficiently robust;
- **Transparency/due diligence:** the Task Force will analyse:

What types of data investors, and in particular mutual funds, rely on for investing in structured products;

Whether information provided by issuers and arrangers of structured financial products to their clients is sufficient to assess the quality of the product and whether additional information at the time of, or subsequent to, issuance of the product may benefit market efficiency and stability; and

Whether regulators receive sufficient information regarding the structured product markets to protect investors in, and ensure the efficiency and stability of, public securities markets;

- **Valuation of assets/accounting issues:** given that investors may have relied on the ratings provided by credit rating agencies as not only an assessment of the probability of default by an entity, but also as an assessment of the product’s liquidity, the Task Force will assess whether

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alternative models of valuation are needed and whether IOSCO should develop valuation principles or best practices in this area.

The Task Force, in order to evaluate potential problems raised by the accounting treatment of structured products, will also consider revisiting last year's the report on special purpose vehicles (SPVs) in order to better analyse the mechanisms whereby SPVs are kept on the balance sheet and the possible implications in terms of risk measurement and information to investors where listed companies are involved.

- Credit rating agencies (CRAs): coordinate with the CRA Task Force to analyse the questions raised by the recent events concerning the role of CRAs and how they relate to the subprime crisis and whether the IOSCO CRA Code of Conduct adequately addresses any conflicts of interest that may be relevant.

The Task Force will take into account the progress made by IOSCO in its dialogue on co-operation with industry and also consider the ongoing work of the Technical Committee on improving disclosure and transparency to investors.

It is anticipated that the Task Force will present its final report to the Technical Committee in May 2008 during IOSCO's Annual Conference in Paris.

IOSCO's Technical Committee Conference is being hosted by the Japanese Financial Services Agency (JFSA) in Tokyo and involves regulators and market participants from around the world debating the current critical issues surrounding of "*Market Regulation - Competition, Convergence and Cooperation.*"

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NOTES FOR EDITORS

1. IOSCO's 4th Technical Committee Conference is being hosted by the Japanese Financial Services Authority in Tokyo and will take place from 8-9 November. Details can be found at <http://www.ioscotokyo2007.com/tconference/>.
2. A press conference with Michel Prada, Chair of IOSCO Technical Committee, Jane Diplock, Chair of IOSCO Executive Committee and Meleveetil Damodaran, Chair of IOSCO Emerging Markets Committee will be held this afternoon at 5p.m. Tokyo time in the Continental Room of the Okura Hotel, Tokyo.
3. IOSCO is recognized as the international standard setter for securities markets. The organization's wide membership regulates more than 90% of the world's securities markets and IOSCO is the world's most important international cooperative forum for securities regulatory agencies. IOSCO members regulate more than one hundred jurisdictions and the Organization's membership is steadily growing.
4. The [Technical Committee](#), a specialised working group established by IOSCO's Executive Committee, is made up of fifteen 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. Mr. Michel Prada, Chairman of the Autorité des Marchés Financiers (AMF) of France, currently acts as Chairman of the Technical Committee.
5. IOSCO published its [Review of Implementation of the IOSCO Fundamentals of a Code of Conduct for Credit Rating Agencies, Report of the Technical Committee of IOSCO](#) in February 2007.
6. The Technical Committee can also create, on an ad hoc basis, task forces to examine specific areas of concern. There are currently separate task forces working on the areas of corporate governance, credit rating agencies, private equity and audit services.
7. IOSCO aims through its permanent structures:
 - to cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets;
 - to exchange information on their respective experiences in order to promote the development of domestic markets;

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- to unite their efforts to establish standards and an effective surveillance of international securities transactions;
- to provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offenses.

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