

# MEDIA RELEASE



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
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IOSCO/MR/002/2008

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## **IOSCO addresses Subprime Crisis**

The IOSCO Technical Committee met on Tuesday 5 February to review the progress being made by the Task Force on the Subprime Crisis launched in Tokyo in November 2007 which is focused on four key issues: enhanced transparency by issuers of structured products and appropriate due diligence from investors; risk management process for intermediaries; valuation and accounting issues; and the roles and duties of credit rating agencies.

IOSCO's review complements the work being undertaken by other regulatory and governmental bodies, including the Financial Stability Forum, in addressing the current market turmoil. The Task Force is due to publish its final conclusions in May 2008.

The Technical Committee also discussed various possible advancements in the model IOSCO Code of Conduct Fundamentals for Credit Rating Agencies (CRAs) including:

- disclosure of the assumptions underlying the individual ratings for structured finance transactions;
- prohibition of advice on the design of structured products which an agency also rates; and
- reasonable steps being taken to use information of sufficient quality to support a credible rating.

IOSCO expects to produce a consultation paper by early March on proposed changes to the model Code of Conduct.

The Technical Committee outlines several key steps that can be taken by market participants to help restore confidence in the operation of the market:

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- Financial institutions are encouraged to enhance the information available to the primary market for structured finance instruments;
- Market participants should cooperate to identify information that would be relevant and useful in achieving an appropriate level of transparency in the secondary market;
- Financial institutions should make accurate and complete disclosure of the size and the level of their exposures related to structured finance to the market;
- Institutional investors and asset managers are encouraged to develop and undertake strict due diligence processes in their assessment prior to any investment into complex, structured products.

## NOTES FOR EDITORS

1. IOSCO's Technical Committee launched the Task Force on the [Subprime Crisis](#) during its Tokyo meeting on 6 November 2007.
2. IOSCO's coming [Annual Conference](#) will be hosted by the Autorité Marché des Financiers in Paris from 26 to 29 May 2008.
3. 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. [Responses](#) to the consultation were published on IOSCO's website in May 2007.
4. IOSCO is recognized as the leading international policy forum for securities regulators. 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.
5. 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. The members of the Technical Committee are Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, Ontario,

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Quebec, Spain, Switzerland, United Kingdom and the United States.

6. 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;
- 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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David Cliffe + 34 679 969 004  
Office Number + 34 91 787 0419  
Email: [d.cliffe@iosco.org](mailto:d.cliffe@iosco.org)

Website: [www.iosco.org](http://www.iosco.org)