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International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
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## **IOSCO forms Task Force on OTC Derivatives Regulation**

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has formed a Task Force on OTC Derivatives Regulation (Task Force) in order to coordinate securities and futures regulators' efforts to work together in the development of supervisory and oversight structures related to over-the-counter (OTC) derivatives markets.

IOSCO's experience in developing objectives and principles for securities regulation, including its development of Recommendations for Central Counterparties in conjunction with the Committee on Payment and Settlement Systems (CPSS), provides the Task Force with a strong basis upon which to develop mechanisms to encourage consistency among IOSCO members for derivatives regulation. As OTC derivatives also fall within the remit of other regulators and central banks, coordination and cooperation with other standard setting bodies and relevant authorities will be an important dimension of the Task Force's work.

Hans Hoogervorst, Chairman of the Technical Committee, said

'IOSCO has identified the need for enhanced international coordination between securities regulators in order to support the global reform efforts currently underway regarding OTC derivatives regulation.

'Many jurisdictions are currently adopting legislation that provides securities and futures regulators with an important role in the regulation of the OTC derivatives markets. As regulators implement their new legislative mandates, close consultation with foreign counterparts and the development of consistent standards across jurisdictions with

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respect to OTC derivatives regulation could help to promote convergence among IOSCO members' and other regulatory bodies regulations, reduce the potential for conflicts of law or regulatory arbitrage, and mitigate systemic risk.

The purpose of the Task Force is:

1. to seek to develop consistent international standards related to OTC derivatives regulation in the areas of clearing, trading, trade data collection and reporting, and the oversight of certain market participants;
2. to coordinate other international initiatives relating to OTC derivatives regulation, including addressing the recommendations by the OTC Derivatives Working Group for additional analysis of exchange and electronic platform trading as well as data reporting and aggregation requirements for OTC derivatives; and
3. to serve as a centralized group within IOSCO through which IOSCO members can consult and coordinate generally on issues relating to OTC derivatives regulation.

The Task Force will produce the following work on a phased basis in the following sequence:

1. Report on Exchange and Electronic Trading

This will be a study on exchange and electronic platform trading for derivatives as recommended by the Financial Stability Board (FSB) Working Group. The report will evaluate, among other topics, the benefits and the challenges associated with implementing measures aimed at increasing exchange and electronic trading. It will also assist the Task Force in assessing whether it would be appropriate to draft international standards related to exchange and electronic platform trading. This report will be produced by the end of January 2011.

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## 2. Report on Data Reporting and Aggregation Requirements;

The Task Force, in consultation with CPSS and other appropriate regulators, will produce a report by July 2011, which sets out, both for market participants reporting to trade repositories and for trade repositories reporting to the public and to regulators for the purpose of macro- and micro- surveillance: (1) minimum data reporting requirements and standardised formats; and (2) the methodology and mechanism for the aggregation of data on a global basis. In identifying the data that should be reported, the Task Force will take into consideration the recommendations detailed in the report of the FSB Data Gaps and Systemic Linkages

The other bodies to be consulted will include the Committee on the Global Financial System, the Bank for International Settlements and the OTC Derivatives Regulators' Forum.

## 3. Report on International Standards

This will build on the earlier reports and will set out consistent international standards for OTC derivatives regulation in the areas of trading, data reporting, clearing, and the oversight of swap dealers and other market participants and, to the extent desirable and feasible, exchange and electronic trading. In developing these standards, the Task Force will consider the G-20's objectives as outlined in its 20 September 2009 Communiqué, the Working Group's report and recommendations, and the characteristics of the derivatives markets and legislative mandates of IOSCO members in this area. This report is scheduled for January 2012.

The Task Force will also serve as a forum for broad-based consultation and coordination among securities and futures regulators with responsibility for implementing rules and standards in their respective jurisdictions applicable to the OTC derivatives markets.

The Task Force will be led by the US SEC, the US CFTC, the UK FSA and the Securities and Exchange Board of India. In view of their legislative and regulatory roles the Committee of European

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Securities Regulators (CESR)/European Securities Markets Authority (ESMA), the Committee on Payment and Settlement Systems (CPSS), the European Commission and the OTC Derivatives Supervisors Group have been invited to appoint observers to the Task Force.

## NOTES FOR EDITORS

1. In April 2010, a Working Group was formed at the initiative of the Financial Stability Board to make recommendations for how securities and futures regulators, prudential supervisors and market participants could give effect to the G-20's objectives for improving the OTC derivatives markets. The Working Group is co-chaired by CPSS, IOSCO and the European Commission. In its 20 September 2009 Communiqué the G-20 stated that, “[a]ll standardized OTC derivatives contracts should be traded on exchanges or electronic platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivatives contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.
2. 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.
3. 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. Mr. Hans Hoogervorst, Chairman of the Netherlands Financial Markets Authority (AFM) 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.
4. 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

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- 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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