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International Organization of Securities Commissions
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IOSCO/MR/04/2012

Madrid, 1 March 2012

IOSCO consults on oil price reporting agency oversight

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published a consultation report, [*Functioning and Oversight of Oil Price Reporting Agencies*](#), which examines the role played by Oil Price Reporting Agencies (PRAs) in the functioning of oil markets, their methods of operation and governance and potential options for future oversight.

The Consultation Report is aimed at informing IOSCO's response to the G20 Leaders' request in November 2011 that "IOSCO, in collaboration with the IEF, the IEA and OPEC, [to] prepare recommendations to improve their functioning and oversight to our Finance Ministers by mid-2012."

The report builds on the joint report on *Oil Reporting Agencies* jointly produced by IOSCO, IEA, IEF and OPEC (IOs Report) which was submitted to G20 in advance of the Cannes summit.

The report examines:

1. the governance of PRAs including consideration of the ownership of oil PRAs, their board and executive management structures, how they manage conflicts of interest, their complaints handling procedures, and their systems and controls; and
2. the impact PRAs current functions have on price transparency in the physical oil and oil derivative markets.

Masamichi Kono, Chairman of the IOSCO Technical Committee, said:

"Price Reporting Agencies, by virtue of their activities and the important role they perform in

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the formation of benchmark oil prices have a significant impact on the overall functioning of oil derivatives markets and as a consequence broader financial markets. Their activities also have the potential to have a systemic impact given the importance of oil to the global economy.

“In view of the influential role they play in global markets, it is critical that the arrangements governing how PRAs operate and how they assess prices are appropriately framed and provide for sufficient safeguards to ensure the integrity of the price assessment function.

“IOSCO is seeking the views of as wide a range of stakeholders as possible in response to the questions posed in this report, and we would encourage all interested parties to respond to those questions but also to feel free to raise other issues which they may feel are of significance in this sector.”

Potential areas for consideration of recommendations on Oil PRAs

IOSCO, as well as being provided with general directions by the G20, has identified certain potential areas relating to PRA operation through both the IO’s Report and its own members’ market surveillance in which recommendations may be considered :

- Impact of Oil PRA Benchmark Prices on physical and financial oil markets functioning;
- Significance and Robustness of Methodologies Used by PRAs;
- Impact of voluntary reporting to PRAs;
- Accountability of PRAs;
- Current Standards of Governance of Oil PRAs in relation to regulated financial entities;
- Competition aspects attached to the PRA sector
- Stakeholder representation and PRAs role in market development; and
- Options for oversight which could improve PRA functioning and public accountability.

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The closing date for response to the Consultation Report is Friday 30 March 2012. A final report will be submitted to the G20 Finance Ministers in June 2012.

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NOTES FOR EDITORS

1. [CR04/12 Functioning and Oversight of Oil Price Reporting Agencies.](#)
2. [Oil Price Reporting Agencies - Report by IEA, IEF, OPEC and IOSCO to G20 Finance Ministers](#)
3. [Cannes Summit Final Declaration, G20, 3-4 November 2011](#)
4. IOSCO is the leading international policy forum for securities regulators is recognised as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in 115 jurisdictions and its membership continues to expand.
5. 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. Masamichi Kono, Vice Commissioner for International Affairs at the Financial Services Agency of Japan (JFSA), 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.
6. 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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