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International Organization of Securities Commissions
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Madrid, 05 October 2012

Board Decisions Further Global Regulatory Reform and Strengthen IOSCO

The Board of the International Organization of Securities Commissions (IOSCO) met in Madrid this week to progress its current work agenda and set a path for future work. This was the Board's first meeting since its creation at IOSCO's Annual Conference in Beijing to give IOSCO a more efficient and inclusive structure.¹

The two-day meeting on 3 – 4 October underscored IOSCO's commitment to tackling emerging risks to investors and securities markets in a proactive and forward looking way. It also highlighted the benefits of early engagement with stakeholders to provide strategic input for IOSCO's key role, and underscored the progress IOSCO is making on enhancing cross border co-operation.

The Board reconfirmed IOSCO's commitment to meet deadlines on work mandated by the G20 Leaders and the Financial Stability Board (FSB) on regulatory reform. The Board took a number of key decisions on work in a number of areas. Recommendations on the regulation of Money Market Funds and Oil Price Reporting Agencies were approved, with progress made on recommendations on *Global Developments in Securitization Regulation*, which will be completed in a matter of weeks. Agreement was also reached on next steps regarding IOSCO's Report on the Credit Default Swap Market.

¹ The Board is the governing body of IOSCO and consists of 32 securities-market regulators from around the world. At IOSCO's Annual Meeting in May, the Board was constituted to subsume the functions of the former IOSCO Technical Committee, Executive Committee and Emerging Market Committee Advisory Board. This was the Board's first full meeting since its creation, as part of an effort to give IOSCO a more efficient and inclusive structure.

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After the meeting, Masamichi Kono, the Chair of the IOSCO Board, said:

“As Chair of the Board I am pleased with the results of the meeting, which will strengthen IOSCO and further the global reform agenda.”

He added: "I thank all Board members for their efforts in arriving at those important conclusions in the spirit of strong international coordination and cooperation."

The meeting was preceded by a Round Table attended by 18 senior financial services executives drawn from around the world to discuss emerging risks within IOSCO's remit. The discussions in this meeting with CEOs and CFOs from both developed and emerging markets confirmed the increasing role of securities markets in supporting economic development. Also highlighted was the essential role securities regulators can play in supporting confidence and trust in these markets by addressing emerging risks through the implementation of high-level global standards. The participants emphasized the role IOSCO and securities regulators can play globally in developing consistent, early and forward looking responses to the challenges financial markets face in a rapidly evolving environment.

Benchmarks for Financial Markets

IOSCO's recently constituted Board Level Task Force on Financial Market Benchmarks, co-chaired by board members Martin Wheatley, the Managing Director of the UK Financial Services Authority, and Gary Gensler, Chairman of the Commodity Futures Trading Commission, also held its first meeting in conjunction with the Board meeting. The task force drew up a detailed and intensive work plan for developing recommendations on safeguards against abusive practices in benchmark setting by the first quarter of 2013.

International Financial Reporting Standards

In a meeting with the Board, Michel Prada, the Chairman of the Trustees of the IFRS Foundation, urged IOSCO to play a larger role in global efforts to further the international adoption and implementation of international financial reporting standards, as a means to improve the comparability and integrity of

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financial statements across the globe. This proposal will be taken up by IOSCO's Committee on Multinational Disclosure and Accounting.

IOSCO Foundation and other organizational issues

Board members also strongly supported the establishment of the proposed IOSCO Foundation, which is intended to support and finance IOSCO's initiatives in Technical Assistance, Education and Training, and Research. Increased funding of these activities will benefit IOSCO members, particularly those from emerging markets, and contribute to the development of safe and robust global securities markets.

Progress was made on key governance issues, including agreements on revisions to membership categories and voting rights, to promote a more efficient way of operation. Financial pre-commitments will be sought shortly.

Other global regulatory reform work included:

- The development of methodologies to identify Non-Bank SIFI's. It was agreed that IOSCO's work in relation to identifying systemically important hedge funds, collective investments and market intermediaries would be coordinated with a view to meeting G20 deadlines set for joint work by FSB and IOSCO later this year;
- Strong support for IOSCO's involvement in the development of Legal Entity Identifiers. This initiative seeks to uniquely identify participants to financial transactions and meet the demand of the global regulatory community for accurate, consistent and unique entity identification.
- IOSCO's role in addressing cross border issues associated with OTC derivatives regulatory reforms in key jurisdictions. The meeting underscored the importance of member jurisdictions co-operating to address these issues in a timely way;
- IOSCO's role in monitoring implementation of OTC Derivatives Reforms and the recently approved Principles on Financial Market Infrastructure (developed in conjunction with the CPSS);

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- Strong support for IOSCO's ongoing work on protection of client assets in resolution

Research

The Standing Committee on Risk and Research and the IOSCO Research Department updated the Board on its work to produce a practical methodology for recognizing and measuring systemic risk in securities markets and on a forward work plan focussing on identifying emerging risks.

New workstreams

In terms of possible new areas of work, the Board considered developing a mandate on the impact of differing regulatory requirements on cross-border activity in securities markets. Also discussed was a possible work-stream on investor protection in the context of retail financial services and products.

Emerging Markets

The Board discussed the future role of the Emerging Market Committee (EMC) under the new organizational structure that was introduced to IOSCO in May 2012. It was stressed that its work should focus on the specific needs of its EMC members, namely market development and capacity building, technical assistance, identification of emerging risks and education and training. The EMC comprises eighty-six members who constitute more than 80% of IOSCO's ordinary membership and represent some of the world's fastest growing economies. Of the 20 members of the G20, ten are IOSCO EMC members.

Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU)

The Board took note of the invitation to three IOSCO members to sign the MMoU, which is the pre-eminent standard for international enforcement cooperation and information sharing, which would bring the total number of signatories to 89. Established in May 2002, the MMoU provides securities regulators with the tools for combating cross-border fraud and misconduct that can weaken global markets and undermine investor confidence. IOSCO has set a deadline of January 2013 for all IOSCO members to sign the MMoU.

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The new signatories are the following:

- The Securities Commission of the Federation of Bosnia and Herzegovina;
- The Superintendencia del Sistema Financiero of El Salvador
- The Securities and Commodities Authority of the United Arab Emirates

NOTES FOR EDITORS

1. IOSCO is the leading international policy forum for securities regulators and 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 it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr. Masamichi Kono, Vice Commissioner for International Affairs at the Financial Services Agency of Japan (JFSA), is the Chairman of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, Turkey, United Kingdom and the United States.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized 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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