MEDIA RELEASE

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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المنظمة الدولية لهيئات الأوراق المالية

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IOSCO publishes Good Practices on processes for deference

The Board of the International Organization of Securities Commissions (IOSCO) today published a series of eleven good practices on processes for deference to assist regulatory authorities in mitigating the risk of unintended, regulatory-driven market fragmentation and to strengthen international cooperation.

Wholesale securities and derivatives markets are global in nature and many market participants operate on a cross-border basis. As a result, numerous authorities have implemented deference processes that allow them to rely on one another to regulate and supervise these market participants and help reduce potentially duplicative or conflicting regulations.

Over time, the use of deference between regulators has significantly increased, in parallel with enhanced cross border capital flows. IOSCO's 2019 Report on *Market Fragmentation and Cross-Border Regulation*, which was submitted to the G-20, suggested that IOSCO should identify good practices to enhance the processes for deference determinations further.

The aim of the eleven Good Practices identified in today´s report is to help members in establishing and operating efficient deference processes. They are underpinned by the philosophy that deference processes should be outcomes-based, risk-sensitive, transparent, sufficiently flexible and supported by strong cooperation. They cover all phases of the deference process and focus on several key issues, such as:

- arrangements for ensuring transparency of deference processes, including the scope, steps and criteria;

- the criteria for making an outcomes-based assessment of the assessed authority and/or firm, including the nature of the supervisory and enforcement practices in the assessed jurisdiction;
- important factors such as the nature and degree of risks that entities from another jurisdiction may pose in their markets;
- the level of engagement, cooperation and communication between the assessing authority and the assessed authority and/or firm throughout the process and once deference has been granted; and
- revocation of a deference determination.

IOSCO drew on the experience of the European Commission and members of the Committee on Payments and Market Infrastructures (CPMI)-IOSCO to develop these Good Practices.

Ashley Alder, CEO of the Securities and Futures Commission Hong Kong and Chair of IOSCO, said: *"IOSCO has played a key role in encouraging cooperation between securities regulators. This is increasingly important at a time when it is more vital than ever to support efficient, safe cross border investment flows to help fund economies undergoing major stresses. This Report is a major contribution to this effort."*

Jun Mizuguchi, Senior Deputy Commissioner for International Affairs at the Japan Financial Services Agency and co-chair of IOSCO´s follow-up work on market fragmentation said: "*Deference is a powerful tool for addressing the risk of regulatory-driven fragmentation in increasingly cross-border markets. This Report will assist both regulatory authorities who are looking to add deference to their regulatory options and those seeking to improve their current processes."*

Louis Morisset, President and Chief Executive Officer of the Autorité des marchés financiers Quebec and co-chair of this work, added: "*In the past, the G-20 has stressed the importance of* *authorities deferring to one another when justified and in the right circumstances. Great efforts have been made since then, with numerous jurisdictions implementing tools that IOSCO published in 2015 to strengthen cross-border cooperation. Nevertheless, further improvements are needed, and we believe this Report is a step in that direction."*

Notes to the Editor

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 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 and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Bahamas, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO´s Affiliate Members Consultative Committee are also observers.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Dr. Obaid Al Zaabi, Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates, is the Chair of the GEM Committee. The committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

4. IOSCO aims through its permanent structures:

   - to cooperate in developing, implementing and promoting 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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