

IOSCO: The Future of Global Securities Regulation

Presentation to the 2010 annual conference of
NAUFOR, Russian National Association of Securities
Market Participants

Greg Tanzer
IOSCO Secretary General
12 May 2010



International Organization
of Securities Commissions

Agenda

1. IOSCO and the Global Financial Crisis
2. Cooperating to tackle the Financial Crisis
3. Common international approaches
4. Enforcement
5. The Future

IOSCO and the Global Financial Crisis (1)

The IOSCO Task Force on the Subprime Crisis was formed in November 2007 and reported in May 2008. Its recommendations related to:

- Issuer transparency and investor due diligence;
- Firm risk management and prudential supervision;
- Valuation issues, especially valuation in illiquid market conditions.

In addition, IOSCO focussed on the role of Credit Rating Agencies (CRAs).

IOSCO and the Global Financial Crisis (2)

Since 2008, IOSCO has continued to focus on addressing areas that are primarily the province of securities regulators but have implications for the wider financial system including:

- International financial reporting standards;
- Building investor confidence;
- Building a more resilient financial system; and
- Transparency in markets and disclosure standards with respect to structured financial products.

Cooperating to tackle the Financial Crisis (1)

- The G20 and Financial Stability Board have emphasised the need for cooperative global solutions.
- There is a need to focus on market conduct and infrastructure: much of the underlying problems raised in the crisis occurred in markets.

Cooperating to tackle the Financial Crisis (2)

IOSCO's response to the G20 Washington Summit was to create three Task Forces:

- Short Selling
- Hedge Funds
- Unregulated Markets and Products

More recently, with CPSS, IOSCO has been working on payment, clearing and settlement systems infrastructure.

Common international approaches

- IOSCO invited Brazil, India and China to join its Technical Committee in Feb 2009
- IOSCO is reviewing its own structure and organizational goals
- IOSCO is reviewing its Principles of Securities Regulation:
 - New Principle on identifying and monitoring sources of systemic risk
 - Need to regularly review the perimeter of regulation
 - The role of Self Regulatory Organizations (SROs)

Enforcement

- Enforcement is the bedrock of any effective regulatory system
- The international standard for enforcement cooperation in securities regulation is the IOSCO Multilateral Memorandum of Understanding (MMoU), established in May 2002:
 - **65** full signatories, and **45** Appendix B members
- IOSCO has also been engaging in dialogue with uncooperative or under-regulated jurisdictions

IOSCO's Work on the Crisis:

all available on www.iosco.org/library

- Task Force on Unregulated Products and Markets: Report with new standards on CDS and securitization (Sept. 09)
- Task Force on Unregulated Entities: Report with new standards on Hedge Funds (June 09, March 10)
- Task Force on Credit Rating Agencies: Report with new standards on CRA's (March 08)
- Task Force on Short Selling: Report and new principles on short selling (June 09)
- Task Force on Commodities: Report (Dec 08, new mandate in progress)
- Task Force on Supervisory Cooperation: Currently active (report due June10)
- Task Force on Implementation of Principles: Revising and updating the new principles (due June 10)
- Task Force on Audit Services: Report on regulators' contingency plans for service disruption of auditors (June 09)
- Task Force on Corporate Governance: Report on protection of minority shareholders in listed issuers (Feb. 09)
- Task Force on Subprime Crisis: Report on the subprime crisis (March 08)
- Standing Committee 1: Report with principles for periodic disclosure of remuneration by listed entities (July 09, Feb. 10)
- Standing Committee 1: Report with disclosure requirements for public offerings of ABS (July 09, Apr. 10)
- Standing Committee 1: Report on transparency of firms that audit public companies (June 09)
- Standing Committee 2: Report with principles for outsourcing by markets (July 09)
- Standing Committee 2: Report on transparency of structured finance products (Sept. 09)
- Standing Committee 2/3: Report Principles for Direct Electronic Access to Markets (Due June 10)
- Standing Committee 5: Report with regulatory standards for funds of hedge funds (July 09)
- Standing Committee 5 : Report on due diligence good practices for investment managers investing in structured products (June 09)
- Emerging Markets Committee: Report with recommendations in response to the financial crisis in emerging markets (June 09)
- Joint Forum: Differentiated Nature and Scope of Regulation (January 10)
- Joint Forum: Report on Special Purpose Entities (April 08)
- Joint Forum: Report on credit risk transfer (April 08)
- Joint Forum: Report on risk concentrations (April 08)
- Joint Forum: Cross-Sectoral Review of Group-Wide Identification and Management of Risk Concentrations (current)
- CPSS-IOSCO Working Group on the Review of the Recommendations for Central Counterparties (due 2010)

The Future

- IOSCO's members believe that through the combination of these different initiatives and activities securities regulators can ensure:
 - their voice is heard in the reform of global regulation needed to address the current crisis, and
 - they are equipped with the necessary tools and powers to identify and mitigate possible emerging risks in the future.
- The evolving approach of regulators includes a focus on possible capital ratios for securities firms, increasingly exacting product regulation and an increased emphasis on transparency and disclosure to the market and investors.
- There is a natural emphasis on seeking to reduce or eliminate risk in the financial system, given the amount of taxpayers' money that has been devoted to supporting the system and its largest participants.
- But in seeking to promote a safer financial system, are we giving investors a false impression that all investments are safe?

IOSCO: The Future of Global Securities Regulation

Presentation to the 2010 annual conference of
NAUFOR, Russian National Association of Securities
Market Participants

Greg Tanzer
IOSCO Secretary General
12 May 2010



International Organization
of Securities Commissions
