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1. Role of IOSCO

Organization

• Members
  — Ordinary Members: 109
  — Associate Members: 11
  — Affiliate Members: 63

• Committees
  — Presidents, Executive,
  — Technical, Emerging Markets
  — Regional, SRO Consultative

• General Secretariat

Mission

• IOSCO is the primary global forum for securities regulators, with members from over 100 jurisdictions regulating more than 95% of the world securities markets
  — It exists:
    ➢ To cooperate to promote high standards of regulation to maintain just, efficient and sound markets
    ➢ To exchange information and experience to promote the development of domestic markets
    ➢ To unite efforts to establish standards and an effective surveillance of international securities and derivatives transactions
    ➢ To provide mutual assistance to promote the integrity of markets by a rigorous application of the standards and by effective enforcement against offences
1. Role of IOSCO

IOSCO Principles

• **What are the IOSCO Principles?**
  — 30 principles of securities regulation based upon three objectives of securities regulation
    ➢ The protection of investors
    ➢ Ensuring fair, efficient and transparent markets
    ➢ The reduction of systemic risk

• **Principles adopted in 1998, and updated in 2003 and 2008**

• **Recognized by FSB, IMF and World Bank as global standard on effective securities regulation**

1. Role of IOSCO

Link to Clearing and Settlement

• **Principle 30 on Clearing and Settlement**
  — Assessed in accordance with :
    • CPSS/IOSCO Recommendations on Securities Settlement (2001)
    • CPSS/IOSCO Recommendations on Central Counterparties (2004)

• **Principles considered in line with CPSS Standard on Payment Systems:**
  — Core Principles for Systemically important payment systems (2001)
2. Scope of IOSCO’s Work

Crisis Responsiveness

• **G 20 and FSB calls for action:**
  — Addressing macroprudential risks;
  — Prevention of excess leveraging;
  — Appropriate degree of regulation and oversight for systemically important financial institutions, markets and instruments

• **Work streams relating to:**
  — Credit Rating Agencies
  — Unregulated Financial Entities
  — Supervisory Cooperation
  — Unregulated Markets and Products
  — Other Crisis Related Work

**J OINT CPSS-IOSCO WORKING GROUP**

— Response to challenges in applying the *Recommendations for Central Counterparties* (RCCPs) to OTC credit derivatives eg. (CDSs)

— Goal of promoting consistent interpretation, understanding and application of the RCCPs across arrangements for derivatives
3. Development of work on Securities Clearing and Settlement Standards to Date

• **Core Principles for Systemically Important Payment Systems (BIS, 2001)**
  - Prepared by Committee on Payment and Settlement Systems (CPSS) of the central banks of the Group of Ten Countries.
  - Stipulate 10 Core Principles on key characteristics that all systemically important payment systems should satisfy.
  - Report also explains key role of central banks and their responsibilities in applying the Core Principles.
  - Focus of report was on payment systems.

• **Recommendations on Securities Settlement (2001)**
  - Products of Task Force on Securities Settlement Systems created in December 1999 building on work in Core Principles.
  - 19 recommendations identifying minimum standards that securities settlement systems (SSSs) should meet:
    - designed to cover systems for all types of securities
    - for securities issued in both industrialised and developing countries
    - for domestic as well as cross-border trades.
  - 2002 Methodology for use in Assessment of Compliance.
3. Development of work on Securities Clearing and Settlement Standards to Date

- **Recommendations for Central Counter Parties (2004)**
  - Recognition of growing role and importance of CCP’s interposed between counterparties to financial transactions
  - 15 headline recommendations and accompanying explanatory text covering the major types of risks CCPs face
    - Sets out relationship with the Task Force report on *Recommendations for Securities Settlement Systems (RSSS)*
    - With one exception, the recommendations regarding CCPs intended to supersede the recommendations in the RSSS.
  - Includes a methodology for assessing implementation of the recommendations


**Ongoing Initiatives**

- **OTC Derivatives Regulators Forum**
  - Established to provide regulators means to cooperate, exchange views and share information related to OTC derivatives CCP’s and Trade Repositories on regular basis
  - Made up of central banks, banking supervisors, market regulators and governmental authorities with direct authority for OTC infrastructure providers, participants or OTC derivate markets broadly
  - 5 dedicated working groups on different aspects of OTC derivatives clearing and trade repositories
  - Ongoing work on promotion of standardization in data reporting, coordinated oversight of trade repositories, confidentiality issues in reporting and oversight

Ongoing Initiatives

• **OTC Derivatives Supervisors Group**
  – Working in conjunction with ISDA
  – Monitoring
    • CCP usage
    • Electronic Processing
    • Bilateral collateralisation practices
    • Buy-side access

• **CESR / European Commission**
  – Ongoing oversight of implementation of recommendations on CCP’s and CSD’s in EU
  – Considering feedback on Trade Repositories Consultation Paper
  – Range of initiatives on reducing counterparty credit and operational risk, increased transparency using trade repositories and market integrity

Ongoing Initiatives

• CPSS-IOSCO
  – Dual Projects
    • RCCP Working Group
    • CPSS/IOSCO Standards Review

• RCCP Working Group
  – Created in June 2009
  – Seeking to identify challenges in applying RCCP to CCP’s clearing OTC derivative transactions
  – Guideline for compliance by CCP’s and identify areas in which RCCP may be strengthened or expanded to better address risks associated with the central clearing of OTC derivatives
  – Outputs to be incorporated into Standards Review after Consultation

Greg Tanzer  Secretary General of IOSCO
Presentation 17/11/2009


Ongoing Initiatives

• CPSS/IOSCO Standards Review
  – Proposal currently under consideration by CPSS and IOSCO TC
  – Joint initiative to update and strengthen standards for all payment and settlement systems
  – Review of the minimum standards prescribed in Core Principles, RSSS and RCCP in light of Crisis
  – Drive to attain consolidated standards for payment systems, CSD’s and CCP’s based on commonalities

Greg Tanzer  Secretary General of IOSCO
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Thank you

Any questions?