



UPDATE ON RECENT IOSCO WORK

Tajinder Singh
Deputy Secretary General, IOSCO



IOSCO work

Entails:

- Examining Emerging Risks
- Policy and Standard Setting
- Implementation
- Inclusiveness and Outreach

- OTC Derivatives
- Financial Market Infrastructures
- Shadow Banking, Non-bank SIFIs
- Benchmarks
- New Committee on Retail Investors
- New Task Force on Cross Border issues
- Other recent work

IOSCO work on OTC Derivatives

- Report on trading
- Report on data reporting and aggregation requirements- led to LEIs
- Report on mandatory clearing
- Derivative Market Intermediaries
- Margin requirements

Margin requirements for non cleared derivatives

- Joint work co chaired by BCBS and IOSCO in WGMR
- All non-centrally-cleared derivatives to be subject to two-way universal exchange of margin above a EUR50 million threshold, calculated using model or standardised schedule
- Margin collateral should be liquid and low risk. It must be protected and immediately available when needed
- Margin requirements to be phased-in over four years from 2015
- Conscious of impact on liquidity

Margin requirements – consultation paper

- The draft margin requirements for non-centrally cleared derivatives would require margin to be posted in accordance with the following principles:
 - All financial firms and systemically-important non-financial entities must exchange initial and variation margin as appropriate to the risks posed by such transactions.
 - Methodologies for calculating margin should (i) be consistent across entities and reflect the potential future exposure (initial margin) and current exposure (variation margin) associated with the portfolio of non-centrally-cleared derivatives at issue and (ii) ensure that all exposures are covered fully with a high degree of confidence.
 - Margin assets should be highly liquid and should, after accounting for an appropriate haircut, be able to hold their value in a time of financial stress.
 - Initial margin should be exchanged by both parties on a gross basis and available upon default and protected in bankruptcy
 - Inter- affiliate transaction should be subject to appropriate variation margin arrangements
- Regulatory regimes should ensure sufficiently consistent and non-duplicative margin requirements across jurisdictions
- Monitoring and Evaluation exercise in 2014 taking into account other regulatory initiatives

Benchmarks

- IOSCO Task Force on Benchmarks- two consultative papers
- The proposed principles are intended to ensure that robust governance requirements are put in place by benchmark administrators to protect the integrity of the Benchmark determination process and ensure that conflicts of interest are appropriately addressed.
- Two tiered approach:
 - high level principles that apply to all types of benchmarks.
 - more detailed principles apply to benchmarks posing specific risks arising from their reliance on submissions and/or their ownership structures.
- 18 high-level principles that address:
 - Governance
 - quality of benchmarks,
 - quality of methodologies
 - Accountability

Financial Market Infrastructures

- IOSCO has been jointly working with CPSS- Published Principles for FMIs in April 2012
 - 24 principles for FMIs
 - 5 responsibilities for authorities
- An assessment methodology for the FMI principles and disclosure framework has been published
- Access to TR data- consultation report in April 2013
- Work on implementation monitoring- level 1: whether “regulatory framework” is complete
- Work on FMI recovery- consultation paper to be published
- Possible work on quantitative disclosure

List of Principles and Applicability to FMIs

Principle	Payment systems	CSDs and SSSs*	CCPs	TRs
1. Legal basis	•	•	•	•
2. Governance	•	•	•	•
3. Framework for the comprehensive management of risks	•	•	•	•
4. Credit risk	•	•	•	
5. Collateral	•	•	•	
6. Margin			•	
7. Liquidity risk	•	•	•	
8. Settlement finality	•	•	•	
9. Money settlements	•	•	•	
10. Physical deliveries		•	•	
11. Central securities depositories		•		
12. Exchange-of-value settlement systems	•	•	•	
13. Participant-default procedures	•	•	•	
14. Segregation and portability			•	
15. General business risk	•	•	•	•
16. Custody and investment risk	•	•	•	
17. Operational risk	•	•	•	•
18. Access and participation requirements	•	•	•	•
19. Tiered participation arrangements	•	•	•	•
20. FMI links	•	•	•	•
21. Efficiency and effectiveness	•	•	•	•
22. Communication procedures and standards	•	•	•	•
23. Disclosure of rules and key procedures	•	•	•	•
24. Disclosure of market data				•

* The applicability of certain principles for CSDs and SSSs will vary with the design of the FMI.

Shadow Banking and Non Bank SIFIs

- IOSCO strongly involved in this work
- Published recommendations for MMFs in Oct 2012
- Published policy recommendations for securitisation in Nov 2012
- Involved actively in the work on “Other shadow banking entities”
- Non Bank SIFIs: working with FSB on a consultative document especially with regard to market intermediaries and asset management

New Committee on Retail Investors

- IOSCO's focus on investor protection
- Specifically targetting retail investor education and financial literacy
- Also advise on emerging retail investor protection matters

IOSCO's new cross border Task Force

- Cross border coordination can facilitate cross-border capital formation and risk management and reduce regulatory arbitrage risks
- Environment will become increasingly globalized with increasing importance of emerging markets
- Toolkit approach:
 - Mutual recognition and passporting
 - Registration categories and exemptions
 - Registration with substituted compliance
 - Registration with accommodation granted to foreign entities
 - Expedited processing
 - Home/ host supervisory cooperation

Other recent IOSCO work

- Principles for Regulation of ETFs- published June 2013
- Principles for valuation of CIS- published May 2013
- Technological challenges to effective market surveillance – published April 2013
- Regulation of Retail Structured Products- Consultative report published April 2013
- Protection of Client Assets- consultative report Feb 2013
- Suitability requirements with respect to distribution of Complex Financial products- published Jan 2013
- Ongoing work on developing a new IOSCO Code of Conduct for CRAs

THANK YOU