



Panel 1
**EFFECTIVE REGULATION: CROSS-BORDER SUPERVISION OF
FINANCIAL INSTITUTIONS**

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Some background information

- ✦ Financial markets form a huge international chain
- ✦ IOSCO is the common voice of the international securities regulatory community
- ✦ Its objectives are to increase market integrity and provide investor protection
- ✦ Coordination and speedy exchange of information are key to successful cross-border supervision



The IOSCO Method

- ✦ 30 IOSCO Objectives and Principles of Securities Regulation endorsed in 1998 and updated on a regular basis
- ✦ IOSCO Principles are outcome based
- ✦ Adjusted to level of development and local market and legal circumstances
- ✦ Rules based versus principles based approach according to circumstances
- ✦ New guidance to facilitate convergence
Ex: conflicts of interest in sec.offerings



Harmonization/convergence/recognition

- ✦ **Major corporate scandals led to more stringent regulation and enforcement**
- ✦ **“Effective” or “better” regulation requires some form of:**
 - ✦ -harmonization, sometimes slow and costly
 - ✦ -convergence with roadmap/target
 - ✦ -mutual recognition with common foundation of principles
- ✦ **In an international context the three methods are not mutually exclusive**



A successful example of mutual recognition : the IOSCO MMoU

Cross border investigations on:
insider dealing
market manipulation...
...related to pub/non public info.





A successful example of mutual recognition : the IOSCO MMoU

- ✦ A common set of international principles on cooperation and exchange of information for investigation purposes
- ✦ An agreed, fair and stringent verification and screening process for new signatories to the MMoU
- ✦ A strong monitoring of compliance with the MMoU Provisions
- ✦ How to extend the scope of mutual recognition ? Would another MMoU be able to cover other sets of principles ?



Dialogue with industry

- ◆ Add active dialogue with stakeholders to the usual public consultation policy and technical advices
- ◆ Two way dialogue on market integrity and regulatory efficiency will facilitate convergence and/or mutual recognition
- ◆ TC work program for public consultation released in March 2007
- ◆ Mechanism for a structured dialogue to be designed and operational before year end



Thank you