

19 March 2013

Industry call for IOSCO role in regulatory recognition

From: Financial industry associations and exchanges

Sir,

The time has come to energise the dialogue on mutual regulatory recognition for regulating cross-border business between countries with common regulatory approaches. While there has been active global engagement in implementing the G20 objectives to deliver greater stability to the financial system, its objective to “reject protectionism and not turn inward” is being progressively undermined by regulatory extraterritoriality and the differentiated national implementation of global standards. The result is greater customer confusion; growing compliance complexity and legal risk; reduced investor choice; and conflict with the public policy objective of fast-tracking post-crisis economic and business recovery.

We believe that the International Organisation of Securities Commissions (IOSCO) is best placed to take forward the dialogue on mutual regulatory recognition insofar as IOSCO:

- is an international college of regulatory authorities with proven experience in establishing consensual regulatory standards and this should avoid the risk of a multiplicity of differentiated bilateral agreements, based on divergent determinations;
- has no direct supervisory responsibilities and no regulatory position to defend in negotiations;
- is focused only on the financial services sector, which should avoid progress in financial services recognition being blocked by lack of progress on other sectoral dossiers;
- has developed a set of core Principles which, while not in themselves sufficient, establish a basic foundation for regulatory recognition;
- is well positioned to identify the specific issues which underpin equivalence from the enduser’s perspective and achieve harmonisation.

We would therefore urge IOSCO at its forthcoming March Board meeting to consider assuming this international responsibility for regulatory recognition. This would be a natural evolution of its existing role and would facilitate the establishment of international market and conduct standards in much the same way as the Basel Committee has done for prudential standards.

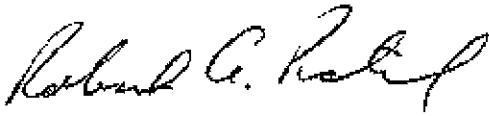
Finally, we would urge close engagement with the providers and consumers of financial services and the market infrastructures, which are best placed to determine how and where regulatory recognition can facilitate the underlying commercial objectives that stand behind the creation of a more coherent framework of regulation for cross-border business.



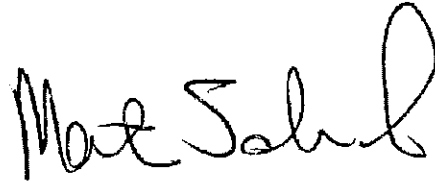
Anthony Belchambers, CEO
Futures and Options Association




Sally Scutt, Deputy CEO
British Bankers' Association



Robert G. Pickel, CEO
International Swaps and Derivatives Association



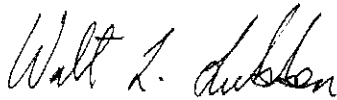
Martin Scheck, CEO
International Capital Market Association




Ian Russell, CEO
Investment Industry Association of Canada



Martin Abbott,
Chief Executive, London Metal Exchange



Walt Lukken, President & Chief Executive Officer
Futures Industry Association



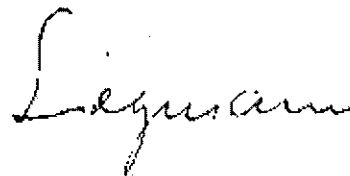
Muthukrishnan Ramaswami
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