ISSUER TRANSPARENCY AND INVESTOR DUE DILIGENCE

Given that the Task Force has found that (1) the recent market turmoil had relatively less effect on publicly traded structured finance products in some markets, and (2) that secondary trading of structured finance products, for a variety of reasons, is opaque, the Task Force recommends that:

1. The Technical Committee's Standing Committee 1 will consult with market participants regarding the typical structures and disclosure practices for private placements of ABSs using disclosure requirements pertaining to public offerings and trading of ABSs as a point of comparison.

2. The Technical Committee's Standing Committee 1 review the degree to which existing IOSCO issuer disclosure standards and principles are applicable to public issuance of asset-backed securities and will develop international principles regarding disclosure requirements for public offerings of asset-backed securities if it finds that existing standards and principles are inapplicable to such offerings.

3. Through its Standing Committee 5, the Technical Committee will review the degree that investment managers who offer collective investment schemes to retail investors have invested in structured products, the type of due diligence typically conducted when making these investments, the degree to which these investment managers have been affected by the current market turmoil, and if and how investment managers may have shielded retail investors from the effects of their exposure to losses from structured finance products and any broader market implications such activity may have.

4. Standing Committee 2, together with the financial service industry, will examine the viability of a secondary market reporting system for different types of structured finance products, focusing in particular on whether the nature of structured finance products lends itself to such reporting and the costs and benefits such a system might entail.

FIRM RISK MANAGEMENT AND PRUDENTIAL SUPERVISION

Given that the Task Force has found that many institutional investors and investment banking firms (1) had inadequate risk modeling and internal controls in place to understand and address the risks they were assuming when buying many types of structured finance products, (2) relied heavily (or even exclusively) on external credit ratings for their risk analysis, (3) had inadequate balance sheet liquidity even when adequately capitalized, and (4) given the work of the SSG on analyzing these issues, the Task Force recommends that:

1. The Technical Committee's Standing Committee 3 will monitor the work and review any report of the SSG and determine whether further work is warranted by IOSCO.

2. The Technical Committee's Standing Committee 3 will survey members' experience on liquidity risk management and liquidity standards to assist and supplement the work being undertaken jointly with the Basel Committee on Banking Supervision.

3. The Technical Committee's Standing Committees 3 and 5 will undertake a study of the internal control systems of financial firms, including asset managers, in different IOSCO jurisdictions and develop principles to address any concerns identified.

4. The Technical Committee will ask originators and sponsors of securitization programs to develop best practices to reinforce their due diligence and risk management practices such that the quality of assets originated for transfer off their balance sheets is of the same quality and subject to the same evaluations as for those kept on their balance sheet. This work will be reviewed by Standing Committee 3, which will report to the Technical Committee on its opinion of adequacy of these best practices.

5. The Technical Committee's Standing Committee 1 or a Chairs Task Force will consider whether additional guidance and disclosure relating to off-balance sheet entities would be valuable in meeting the needs of investors. Standing Committee 1 would provide such input to the IASB in conjunction with its accelerated work in this area during 2008-2009.

VALUATION

Given that the Task Force has found that (1) concerns have been raised regarding the role fair value accounting principles have played in providing investors and regulators with adequate information about the strength of financial firms facing illiquid market conditions, and 2) that some financial firms appear to have inadequate human and technological resources to model their financial positions using fair value accounting principles under illiquid market conditions, the Task Force recommends that:

1. The Technical Committee's Standing Committee 1 or a Technical Committee Chairs Task Force will consider whether additional guidance and disclosure related to measurement at fair value would be valuable in meeting the needs of investors. Standing Committee 1 would provide such input to the IASB in conjunction with its accelerated work in this area during 2008-2009.

2. Through its Standing Committees 3 and 5, the Technical Committee will explore whether, as a matter of internal control, registered intermediaries and investment advisers avail themselves of practitioners who are skilled or trained enough to model fair valuation adequately in illiquid market conditions.