



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