

# MEDIA RELEASE



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores

IOSCO/MR/16/2013

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## **IOSCO Consults on Regulation of Retail Structured Products**

The International Organization of Securities Commissions (IOSCO) published today a consultation report on [\*Regulation of Retail Structured Products\*](#), which analyses trends in the retail structured product market, and proposes a regulatory Toolkit for IOSCO members.

The retail structured products work responds to concern among IOSCO members about the regulatory challenges these products pose, particularly in the area of investor protection. In February 2012, IOSCO agreed to work on retail structured products:

- to understand and analyse the market, and related regulatory issues; and
- to develop guidance, if appropriate, on regulatory responses.

IOSCO chairman Greg Medcraft said: “Complex products, due to their nature, can be difficult for investors to understand. This can lead to them being mis-sold, particularly when investors are searching for yield.”

He added: “This Toolkit is a solid initiative to help members engage with their regulated populations on complex products, many of which are innovation driven. It is an example of how IOSCO can support domestic solutions to globally common problems.”

A Working Group created to do this work surveyed IOSCO members on the market and the regulatory regime in their jurisdictions. Members also described the regulatory challenges in their markets.

IOSCO was particularly interested in understanding the market's drivers for supply-side (that is, issuer and distributor) behaviour and demand-side (that is, investor) behaviour. The Working Group therefore looked along the market's *value-chain*, from issuance to distribution to investment.

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In November 2012, the Working Group held an industry roundtable in London. The roundtable and the survey feedback informed today's consultation report, which now seeks input on the survey results and the proposed Toolkit.

## **Structured Products Overview**

The Toolkit could be useful to IOSCO members because of the growing popularity of complex financial tools among retail investors. These products combine derivatives with other financial instruments. Retail investors might lose money through not understanding the products' complexity. Several events, including the 2008 default on products relating to the Lehman Brothers failure, exposed the problems retail investors can face with structured products. These events raised concern among IOSCO members about investors understanding of the products, design, disclosure, suitability, mis-selling and post-sale product controls.

## **Toolkit**

The Toolkit has five sections. They cover:

- A potential regulatory approach to retail structured products;
- Potential regulation of the product design and issuance;
- Potential regulation of product disclosure and marketing;
- Potential regulation of the product distribution; and
- Potential regulation of post-sales practices (that is, once the products are in the hands of investors).

The closing date for comments is **Thursday 13 June 2013**.

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## NOTES FOR EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, Turkey, United Kingdom and the United States.
3. The Emerging Markets Committee is a specialized working group, representing the world's emerging financial markets. It seeks to promote the development and improvement in efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programs for the staff of members and facilitating exchange of information and transfer of technology and expertise.
4. IOSCO aims through its permanent structures:
  - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
  - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
  - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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