



Report from the Chair of the Assessment Committee

Steven Bardy, Chair

> Chair of the Assessment Committee

The Assessment Committee (AC) was established in early 2012 by the then Executive Committee as an initiative of IOSCO's 2010-2015 Strategic Direction Review. The responsibilities of the AC include developing and delivering programs to identify and assess implementation of IOSCO's Objectives and Principles of Securities Regulation (IOSCO Principles) and other standards and policies set out in IOSCO reports or resolutions approved by IOSCO (IOSCO Standards) across the IOSCO membership.

I chair the committee, ably assisted by Amarjeet Singh from the Securities and Exchange Board of India (as Vice-Chair) and Jean-Paul Bureaud from the Ontario Securities Commission who chairs the Implementation Task Force Sub-Committee (ITF SC).

We have also received strong support from the 27 IOSCO members represented on the committee, the IOSCO Secretariat and the International Monetary Fund (IMF), which has observer status.

Our objectives

The AC's primary objective is to encourage full, effective and consistent implementation of Principles and Standards across IOSCO membership.

This will – in turn – contribute to:

- > Supporting our objectives of Investor protection, fair and efficient markets and reducing systemic risk globally;
- > Reducing opportunities for regulatory arbitrage;
- > Reducing the costs of conducting business across borders; and
- > Improving regulatory capability.

Our responsibilities

The AC is responsible for:

- > The design and conduct of reviews of Self Assessments prepared by particular IOSCO members about implementation of IOSCO Principles (Country Reviews);
- > The design and conduct of reviews of implementation across the IOSCO membership of particular IOSCO Principles and particular standards developed by IOSCO (Thematic Reviews); and
- > Maintaining and periodically updating the IOSCO Principles and related Methodology.

Our activities are aligned with the work of the Financial Stability Board's (FSB) Standing Committee on Standards Implementation (SCSI) and the Coordination Framework for Implementation Monitoring (CFIM). We work closely with the FSB and with the IMF in the design and delivery of our programs.

These activities are also of increasing importance as both the G20 and the FSB focus on the need for jurisdictions to implement international standards – particularly those developed in response to the crisis.

Our work during 2012 and 2013

Our work since IOSCO's last annual report has focused on developing our mandate, designing our processes, developing a forward program and launching reviews.

The committee has met three times – in June 2012 (Toronto), September 2012 (London) and January 2013 (Auckland).

Thematic Reviews

Our Processes

The AC has developed processes for the conduct of these reviews based on the *FSB Peer Review Handbook*. The processes are set out in a Process Document. The processes are intended to provide for robust reviews supporting the desired outcomes of our programs. Our intention is to keep the Process Document under continuous review as we conduct and develop our expertise in Thematic Reviews.

First Thematic Review

In mid-2012 the Board endorsed our proposal to conduct a Thematic Review of the implementation of IOSCO Principles 6 and 7 (which are about processes to monitor, mitigate and manage systemic risk and reviewing the regulatory perimeter, respectively). These Principles – introduced in 2010 – were a key part of IOSCO's response to the crisis.

The review is intended to provide us with a snapshot of implementation of these Principles across IOSCO's membership. The review is an opportunity for members to share better developed processes, implementation experiences, the challenges faced and how they have been dealt with.

The Review Team, comprising representatives from nine jurisdictions, is led by Gert Luiting of the Netherlands AFM.

The work to date has centered on analyzing findings from a survey questionnaire to which 34 members responded in late 2012. The survey collected information about the following:

- > Regulatory structure, legislative processes and systemic risk exposure in the jurisdiction;
- > Whether the jurisdiction has a definition of systemic risk, structures and processes in place for identifying systemic risk, the relevant powers of the securities regulator, communication and/or

cooperation with foreign regulators and lessons learned from implementation challenges;

- > The general structure and processes for the regular review of the regulatory perimeter, powers of the regulator and other financial regulators, processes in place, lessons learned from implementation challenges and processes for monitoring unregulated financial markets and products; and
- > Issues with the methodology for IOSCO Principles 6 and 7 on systemic risk and the regulatory perimeter, respectively.

The findings of this Review are to be presented to the Board in June with a view to publication later in the year.

Forward Work Program

In 2012 we agreed to start two further Thematic Reviews by the end of 2013.

We have discussed ideas for the subject matter of these reviews with IOSCO Task Forces and committees and with both the FSB and the IMF.

Our thinking in the design of the forward program has been driven by:

- > The high priority given by the G20 and the FSB to assessing implementation of international financial standards developed in response to the crisis;
- > The particular priority the FSB is giving Implementation of over-the-counter derivative (OTCD) reforms and the work it has started in that space; and
- > Recent key IOSCO reports which foreshadow the need for future implementation reviews.

Based on these factors and earlier discussions within the AC and other standard-setting bodies, we have asked the Board to approve a program comprising the following:

1. A review in two stages of implementation of over-the-counter derivative reforms relating to IOSCO's June 2012 Report on *International Standards for Derivatives Market Intermediary (DMI) Regulation* in parallel to (but not overlapping with) reviews undertaken by the FSB.

The DMI Standards make recommendations to IOSCO members about the regulation of DMIs. The standards were developed to further the ob-

jectives of the G20 commitments on OTC derivatives by developing high-level standards for the regulation of market participants that are in the business of dealing, making a market or intermediating transactions in OTC derivatives.

We aim to work in close cooperation with the OTCD Task Force on this Review.

2. A short project suggested by the IMF in an area warranting review in light of recent Financial Sector Assessment Program (FSAP) experiences.

In 2013 we also plan to play a role in supporting the CPSS-IOSCO Steering Group through the CPSS-IOSCO assessment of the implementation of the Principles on Financial Market Infrastructure.

Looking even further forward, we also envisage that in 2014, we will undertake reviews of implementation of IOSCO work driven by the FSB – namely:

- > IOSCO's November 2012 Report on *Global Developments in Securitisation Regulation*; and
- > IOSCO's October 2012 Report on *Policy Recommendations for Money Market Funds*.

Both these reports foreshadowed AC reviews during 2014.

We also will continue discussions with committee and Task Force Chairs about possible areas of work as the need arises.

Country Reviews

Our Approach and Processes

During 2012 we agreed that we would offer Country Reviews to the following members:

- > Members from jurisdictions that are not G20 jurisdictions or are not members of the FSB (to ensure no overlap with the work of the IMF);
- > Members that have not been subject to an FSAP in the last five years or which are not expected to be the subject of a securities FSAP in the next three years (based on advice from the IMF);
- > Members that are either Appendix A signatories to the MMoU or Appendix B signatories close to migration;
- > Members that have requested an Assisted Self-Assessment Program by IOSCO;

- > Members who are not the subject of other assessment programs (for instance assessment programs conducted by the SEC).

Our focus will be on jurisdictions with an active capital market or aspirations to develop such markets.

We also agreed to take into account qualitative considerations (including experience with the member in progressing MMoU applications) in deciding on a list of candidates.

We also agreed our approach to these reviews would be driven by the need to support assessed countries in developing and enhancing their regulatory frameworks.

Our thinking was reflected in a draft Process Document for Country Reviews prepared during 2012. This document will continue to be updated as we develop and implement our programs.

First Country Review

In late 2012 we approached a pool of candidates to participate in our first review. Our approaches outlined the benefits of our programs and how those programs might be conducted. The approaches also tested candidate appetite to publish the outcomes of the Review and the need for technical assistance and financial support.

We received expressions of interest from four member jurisdictions, and discussions with two member jurisdictions are now well advanced. We are now working on taking these Reviews forward. We are confident we will be able to start two reviews this year as requested by the Board.

Positioning Strategy

A working group convened by the AC Vice Chair is also developing a positioning strategy which would assist in marketing and positioning Country Reviews to IOSCO members. The strategy will focus on creating awareness of the Assessment Committee, improving the on-line presence of the AC, creating a global database of assessments and generating interest and demand for the Country Review Program.

Work of the Implementation Task Force Sub Committee (ITF SC)

In June 2012, we created the ITF SC to assume primary responsibility for developing an ongoing and dynamic process for maintaining and updating the IOSCO Prin-



ciples and related Methodology. In early 2013 the ITF SC discussed its initial priorities and ways to advance various work streams. These include the following:

Correcting textual errors in the Methodology:

This work is about proposing edits to correct grammar and syntax errors identified in the new Methodology (which was adopted by IOSCO in September 2011), as well as edits to clarify confusing and ambiguous text. The corrections are designed not to change the substance of the Methodology. The ITF SC also reached out and received feedback from assessors and jurisdictions on their experience in working with the 2011 Methodology. This feedback will be considered as we work to improve the Methodology.

Progressing translation of the Methodology:

This work relates to translating the Methodology into IOSCO's other official languages - namely Spanish, French and Portuguese. This initiative will improve accessibility of this core IOSCO document to more members.

Revising the e-Methodology, an on-line system that was created by IOSCO to facilitate self-assessments by its members:

This work is about developing a new and improved on-line self-assessment questionnaire built on IOSCO's new technology platform. The ITF SC also agreed to develop clear protocols around the confidentiality of any information filed on-line using the questionnaire.

In addition to improving access and awareness of the Methodology, this initiative is intended to encourage self-assessments by IOSCO members.

Developing a dynamic framework for updating the Principles and Methodology:

This work is about how to revise and improve the IOSCO Principles and Methodology. A key issue that will need to be addressed is developing a common understanding of the relationship between the IOSCO Principles and Methodology and any new codes, standards, guidance, or *good practice* expectations developed and agreed by IOSCO (collectively, IOSCO standards). This includes establishing agreed criteria for when and the extent to which we would review and revise the IOSCO Principles and the Methodology in order to reflect and incorporate any new IOSCO standards. The ITF SC is seeking to develop a clear framework of how to proceed with any review and revisions to the Principles and Methodology this year.

Next Steps

Through this year, our main focus will be on conduct of thematic reviews and country reviews as per our plan outlined in this report. Besides, we will also develop protocols for how we work with the FSB SCSI.

The main challenges I see in our work going forward will be to resource and deliver timely and robust assessments and reviews in each of our work programs, and to align our work with that of the FSB and IMF.