

# MEDIA STATEMENT

## IOSCO consults on principles for Direct Electronic Access to Markets

Madrid, 24 February 2009

The Technical Committee of the International Organization of Securities Commissions (IOSCO) has published a consultation report (Report) on possible principles regarding direct electronic access (DEA). These principles address pre-conditions for DEA, information flow and adequate systems and controls.

Comment is sought on these three topics and we also encourage commentators to raise and address any issue they deem relevant to direct electronic access.

The report is available on the [IOSCO website](#).

The closing date for responses is 20 May 2009.

### Summary

The Report describes current DEA arrangements, as well as the regulatory approaches of Technical Committee member jurisdictions, and identifies and discusses the benefits, potential risks and concerns that are associated with the use of DEA arrangements.

The report identifies three key areas where IOSCO is proposing developing principles to address the issues raised by the growth in the use of direct electronic access:

#### *(i) Pre-conditions for DEA*

**Principle 1.** Minimum Customer Standards: DEA Customer should be required to meet minimum standards including: appropriate financial resources, familiarity with the rules of the market and ability to comply with the rules of the market, knowledge of the order entry system which the customer is permitted to utilize and proficiency in the use of that system.

**Principle 2.** Legally Binding Agreement: There should be a recorded, legally binding contract between the intermediary and the DEA customer, the nature and detail of which should be appropriate to the nature of the service provided.

**Principle 3.** Sub-delegation: Where a DEA customer is permitted to sub-delegate its direct access privileges directly to another party (sub-delegatee), the responsible intermediary should seek to ensure that its contractual arrangements with its DEA customer allow it to identify the sub-delegatee if required by a market authority.

#### *(ii) Information Flow*

**Principle 4.** Customer Identification: Intermediaries should disclose to market authorities upon request and in a timely manner the identity of their DEA customers in order to facilitate market surveillance.

**Principle 5.** Pre and Post-Trade Information: Markets should provide member firms with access to all pre- and post-trade information (on a real-time basis) to enable these firms to implement appropriate monitoring and risk management controls.

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(iii) *Adequate systems and controls*

**Principle 6.** Markets wishing to permit automated order routing or sponsored access should have rules in place that seek to ensure that intermediaries providing DEA access to their customers have adequate pre-trade controls to manage adequately the risk to fair and orderly trading.

**Principle 7.** Intermediaries (including clearing firms) should have in place both regulatory and financial controls, including automated pre-trade filters, which can limit or prevent a customer from placing an order that exceeds existing position or credit limits on such a customer.

**Principle 8.** Intermediaries (including clearing firms) should have adequate operational and technical systems to manage their DEA system.

## MEDIA ENQUIRIES

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