



**ICSA**

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

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March 3, 2009

Rt Hon Alistair Darling MP  
Chancellor of the Exchequer and Chairman,  
Group of Twenty Finance Ministers and Central Bank Governors  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ  
United Kingdom

Dear Chancellor:

I am writing to you, in preparation for your 14<sup>th</sup> March meeting of Finance Ministers and the 2<sup>nd</sup> April London Summit, on behalf of the members of the International Council of Securities Associations (ICSA). ICSA is composed of the associations that represent and/or self-regulate a large proportion of the world's securities firms, both on a national and an international basis.<sup>1</sup>

ICSA members strongly support the ambitious Action Plan presented by the Washington Summit in November of last year and look forward to the outcome of the London Summit in early April. In a globalised capital market, we see these initiatives as crucial for helping to resolve the current market turmoil while also providing a framework that will restore the international capital market and encourage stable economic growth in the future.

### 1. Industry initiatives

The market turmoil has revealed many weaknesses in the operation and supervision of financial markets, both within key jurisdictions and internationally. Alongside the remedial work being done by regulatory authorities and international standard setters, trade associations and self-regulatory organisations in almost all jurisdictions have implemented numerous measures to strengthen financial markets on a national, regional and international basis. For example, rules and conventions for specific markets as well

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<sup>1</sup> The members of ICSA represent and/or regulate the firms active in the capital market in 15 countries as well as firms that operate on an international basis. ICSA's objectives are: (1) to encourage the sound growth of the international securities markets by promoting harmonisation in the procedures and regulation of those markets; and (2) to promote mutual understanding and the exchange of information among ICSA members. More information about ICSA is available at: [www.icsa.bz](http://www.icsa.bz)

as for firms active in the capital market have been reviewed and updated in many jurisdictions. In addition, a great deal of work has been done to strengthen the market infrastructure for securitised products and credit default swaps, on a national, regional and international basis. ICSA members and other associations have also worked closely with their respective governments on government support packages. We highlight the importance of ensuring that regulatory changes and industry initiatives work together to address the specific issues that the market turmoil has revealed in different market sectors.

I am enclosing with this letter a brief description of some of the work that has been undertaken by ICSA members over the past year to strengthen capital markets. We will be happy to update the G20 Secretariat as ICSA members put new measures in place. We ask participants in the 14th March and 2nd April meetings to take these initiatives into account as part of a strengthened cooperation between the authorities and market participants to devise the most effective and efficient policies and arrangements for well-functioning and well-regulated global markets.

## 2. Internationally coordinated reform of regulatory standards

The market turmoil is global and solutions to it must be globally coordinated. As a global organisation, ICSA strongly welcomes the intention to ensure that consistent standards are applied in a coherent way to global markets. We agree it is vital that reforms to national or regional regulatory arrangements are compatible with enhanced global standards, and so contribute to market recovery and stability. We therefore encourage participants in the meetings to take account of and build on the work that is currently being done by international standard setters such as IOSCO and the Basel Committee.

In addition, we strongly support the commitment to maintain an open global economy and implement measures that support market discipline but avoid harmful impacts on other countries, as reinforced by the recent G7 statement. ICSA members agree that global economic recovery is likely to be hindered by measures that distort market forces, or seek to favour particular countries at the expense of others.

## 3. Reinforcing international cooperation

The market turmoil has highlighted that financial institutions need to be regulated with greater attention to systemic risks, at the national and international level. We welcome the attention that the Washington Action Plan gave to strengthening the role of the international institutions in this field, and to making sure that they are representative of and accountable to the global community.

ICSA members strongly support measures to improve international supervisory cooperation, so that the oversight of international groups can be better coordinated globally. In particular, we agree that global supervisory colleges are the appropriate basis

for more effective supervision of cross-border groups. International bodies such as the Basel Committee or IOSCO could have an important role in coordinating supervisory colleges and developing guidelines for their operation.

ICSA members also strongly support measures for improved cooperation between supervisors, central banks, and governments in financial stability and crisis management to ensure that systemic risks can be more easily identified and better managed.

ICSA members would be pleased to provide further information to participants in your 14<sup>th</sup> March meeting and to G20 deputies if that would be helpful.

Yours sincerely

Jonathan Taylor, Chairman  
International Council of Securities Associations

Cc: Stephen Pickford, Managing Director  
International and Finance, HM Treasury

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**Measures Taken by ICSA Members in Response to  
the International Financial Crisis**

**Initiatives at the National Level**

**Australia**

**Objective**

**Measures Taken**

Australian Financial Markets Association (AFMA)

Address market operation consequences of government's bank guarantee program	AFMA coordinated industry responses and worked closely with the Australian government and financial regulators on making functional the Government's guarantee of bank funding and then addressing its market operation consequences. This included a revision of AFMA's BBSW interbank rate setting rules.
Improve functioning of OTC market	AFMA is working through its member committees on reviewing OTC market conventions to take account of evolving market conditions and regulation

**Canada****Objective****Measures Taken**

Investment Industry Regulatory Organization of Canada (IIROC)

Respond to reduced profitability and concerns about financial stability of member firms	Increased monitoring of Broker/Dealer regulatory capital and firm exposure to credit markets
Resolve freeze in the market for Asset Backed Commercial Paper that began in August 2007	Industry wide compliance review of and report on the Manufacture and Distribution of Asset Backed Commercial Paper, which is available at <a href="http://www.iiroc.ca">www.iiroc.ca</a>
Respond to increased market volatility and concerns over manipulative naked short selling	Increased market surveillance of short selling, rule amendments to enable better monitoring of failed trades and imposition of short sale ban on certain Canadian financial institution inter-listed securities
Improve regulatory coordination in light of regulatory gaps identified by the global financial crisis	Enhanced coordination with the Office of the Superintendent of Financial Institutions (OSFI) in order to ensure better coordination and identification of regulatory gaps

**Japan****Objective****Measures Taken**

Japan Securities Dealers Association (JSDA)

Improve disclosure and transparency in Japan's securitization market	JSDA established the Working Group on Distributions of Securitized Products to formulate self-regulatory rules that ensure the traceability of underlying assets. The new rules, which are scheduled to be finalized in March 2009, require distributors to properly report information on the details and risks of the underlying assets of securitized products to investors and provide a standardized information reporting package.
Improve confidence in credit rating agencies	JSDA is actively participating in the FSA's Financial System Council, which is now reviewing regulations on credit rating agencies as well as disclosure and other requirements

## United States

### Objective

### Measures Taken

Securities Industry and Financial Markets Association (SIFMA)

<p>Restore investor confidence in residential mortgage and other asset-backed securities</p>	<p>The American Securitization Forum (ASF), a subsidiary of SIFMA, launched Project RESTART to develop detailed market standards for securitized products. The first phase included a RMBA Disclosure Package to standardize and expand existing issuer disclosure, particularly on mortgage loan-level information. This will enable investors to more easily compare loans and transactions across all issuers and perform necessary analysis to evaluate RMBS transactions on the basis of the underlying mortgage loans.</p>
<p>Reduce holdings of RMBS and other poorly performing asset-backed securities at U.S.-based financial institutions</p>	<p>Worked closely with member firms to set up reverse auctions for troubled assets held by financial institutions in anticipation of TARP</p>
<p>Develop market for covered bonds in the U.S. in order to provide additional financing sources for private sector borrowers</p>	<p>SIFMA established the U.S. Covered Bond Council (USCBC), which is a joint forum sponsored by SIFMA and the ASF in which a range of market participants are collaborating to promote the development of a U.S. covered-bond market. The USCBC is working specifically to develop market policies and practices that would promote public confidence in U.S. covered bonds. As the voice of the U.S. covered bond market, the USCBC will represent the industry's interests through constructive dialogue with legislative, regulatory and other policymaking bodies.</p>

## Initiatives at the Regional Level

### Europe

#### Objective

#### Measures Taken

ICMA, LIBA and SIFMA<sup>1</sup>

<p>Increase transparency in reporting of exposures of securitized assets under the CRD Pillar 3</p>	<p>Prepared guidelines to promote the sound and appropriately granular implementation of securitization-related CRD disclosure requirements. The guidelines will be reviewed in mid-2009 in order to take into account international developments and lessons from the initial implementation.</p>
<p>Increase transparency and improve credit assessment practices in the EU securitized asset market</p>	<p>The European Securitization Forum (ESF) now regularly produces the <i>Securitization Data Report</i> (SDR) to assist policymakers in their monitoring and assessment of trends in the primary securitization market, and the <i>Secondary Market Holdings Report</i> (SMHR), which contains aggregated data regarding securitized holdings at financial institutions. In addition, a number of other measures were implemented to improve transparency and credit assessment practices, including: (1) <i>Code of Conduct on Disclosure in Asset Backed Commercial Paper</i> to encourage consistent, relevant and regular reporting to investors; (2) <i>Term Securitization Issuer Transparency and Disclosure Principles</i>, which include asset-specific recommendations for transparency and reporting by issuers tailored to the needs of investors in separate RMBS, CMBS, CDO, consumer ABS, insurance securitization and other asset classes; (3) <i>Investor Credit Assessment Principles</i> to help investors implement appropriate investment processes so that they can independently assess the risks associated with each transaction; and, (4) <i>Asset Management Industry Guidelines to Address Over-Reliance Upon Ratings</i>, which provide guidance for asset managers on the use of ratings for securitized and structured credit products.</p>
<p>Address concerns that retail investors may be purchasing structured credit products that are inappropriate for their needs</p>	<p>Developed global principles for managing the provider-distributor relationship for retail structured products and global principles for managing the distributor-individual investor relationship for retail structured products (in July 2008).</p>

<sup>1</sup> The first two projects done in conjunction with European Securitization Forum, European Banking Federation, Commercial Mortgage Securities Association, European Savings Bank Group, European Association of Cooperative Banks and the European Association of Public Banks.



## Europe

### Objective

### Measures Taken

International Capital Market Association (ICMA)

Respond to members' concerns and lack of clarity about market developments	In close contact with members through: (i) regular committees; (ii) seminars; and (iii) special conference calls. In addition, launched a webpage which provides electronic links to country rescue plans for banks. Moreover, legal team in Zurich has been answering questions on the Global Master Repurchase Agreement and ICMA's <i>Rules and Recommendations in the Secondary Market</i>
Ensure that rules for secondary bond market in Europe are appropriate and up to date	Updated ICMA's <i>Rules and Recommendations in the Secondary Market</i> , which became effective as of January 1, 2009
Address concern that retail investors may be purchasing structured credit products that are inappropriate for their needs	On basis of work done with LIBA and SIFMA to develop global principles for managing the provider-distributor relationship and the distributor-individual investor relationship for retail structured products, issued an amended version of ICMA's <i>Standard of Good Practice on Bond Market Transparency for Retail Investors</i> in January 2009

**Europe****Objective****Measures Taken**

SIFMA Europe

Reduce excess holdings of RMBS and other poorly performing assets at UK-based financial institutions	Working with members and UK government on implementation of UK government rescue package, in particular the ABS guarantee scheme, ABS purchase program and asset protection scheme
Develop a EU bond market, in part to respond to concerns that Eurozone governments could face potential problems in meeting their funding needs	Working with members and EU debt management offices on the possible development of a single, common EU bond
Ensure that retail investors have access to appropriate information and knowledge about financial markets and financial products	Launched InvestinginbondsEurope.org, a new financial website which offers retail investors free access to comprehensive, non-commercial and unbiased educational resources and price information on fixed income markets in English, German, French, Italian and Spanish

## Initiatives at the Global Level

### Objective

### Measures Taken

SIFMA Global

Ensure retail investors do not purchase structured credit products as these are inappropriate for their needs	Developed global principles for managing the provider-distributor relationship for retail structured products (in July 2007) and global principles for managing the distributor-individual investor relationship for retail structured products (in July 2008).
Improve confidence in credit rating agencies	Formed SIMFA's Credit Rating Agency Task Force which developed specific proposals for ensuring the creation of a more transparent credit rating system
Revitalize securitization and structured credit markets on a global level	Establish a Global Securitization Markets Group to develop recommendations to help revitalize the securitization and structured credit markets and to report publicly on the state of the market, changes in market practices and potential stress scenarios
Improve investors' understanding of securitized products and markets	Establishing educational programs aimed at directors, executives and investors that have significant exposure to securitized and structured credit products.
Improve reliability of market data and incentives for originators	As part of Global Joint Initiative, establishing minimum industry-wide market standards of due diligence disclosure and quality assurance practices for RMBS
Ensure that interests of originators and investors are more aligned	As part of Global Joint Initiative, strengthening and standardizing the representations, warranties and repurchase procedures for RMBSs
Strengthen incentives for servicers	As part of Global Joint Initiative, developed industry-wide standard norms for evaluating servicer performance and mechanisms for the transfer of servicing
Improve valuation processes	As part of Global Joint Initiative, formed a Valuation Task Force to expand and improve independent, third party sources of valuation