



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

2 April 2013

Greg Medcraft, Chairman
IOSCO Board
Oquendo 12
28006 Madrid, Spain

Dear Greg,

On behalf of the members of the International Council of Securities Associations (ICSA), I would like to extend my congratulations to you on your appointment as the Chairman of IOSCO's Board.¹ We have full confidence that you will move forward IOSCO's ambitious agenda while also continuing and deepening IOSCO's engagement with stakeholders, including the industry. In addition, we are delighted that IOSCO has agreed to form a Task Force on Cross-Border Regulation to guide the application of substituted compliance, mutual recognition and supervisory coordination across individual jurisdictions. As we have suggested in previous letters to IOSCO, although there have been advances made in implementing the global reform agenda that emerged in the aftermath of the financial crisis, the priority has often been on the implementation of national rules to meet specific deadlines without sufficient global coordination of the various rules that have been proposed and, on occasion, implemented in different jurisdictions. Therefore, in this respect we find that IOSCO's initiative on the issue is extremely timely and important.

In previous letters to IOSCO we have suggested that IOSCO could play an important role in promoting substituted compliance and/or mutual recognition among securities regulators by:

1. Developing high-level principles setting out the necessary conditions for substituted compliance and/or mutual recognition agreements, including most critically principles for the assessment of "comparability" between regulatory regimes;
2. Developing a methodology that would allow regulators to compare the effectiveness of different national regulatory systems. A standardized method for comparing national regulatory systems would make "comparability" assessments more efficient and reliable and would therefore help to widen the appeal of substituted compliance and/or mutual recognition as a viable option;
3. Training regulators how to carry out compatibility assessments of one another's regulatory regimes, which in turn will allow regulators from different jurisdictions to learn more in


¹ ICSA's members come from a broad range of jurisdictions and represent and/or regulate firms active in all of the major developed financial markets as well as a number of advanced emerging market economies. ICSA's objectives are: (1) to encourage the sound growth of the international securities markets by promoting harmonization 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 can be found at: www.icsa.bz

depth about the regulatory approaches taken in other jurisdictions. This is critical since, at the end of the day, substituted compliance and/or mutual recognition is only possible when regulators in one jurisdiction are fully satisfied that the regulatory and supervisory standards and practices in another jurisdiction are sufficiently similar to their own.

We have also suggested that IOSCO's work on substituted compliance and mutual recognition could initially be focused on those markets or products or areas of regulation where regulations in some jurisdictions either have an extraterritorial impact and/or conflict in important ways with regulations in other jurisdictions. For example, we continue to believe that IOSCO could help to foster a global substituted compliance or mutual recognition agreement for the OTC derivatives market. Such an agreement would be important since there are substantial differences in the regulations that different jurisdictions have developed for the OTC derivatives market, which in turn could have negative consequences for the global OTC derivatives market. Such an agreement could begin with a substituted compliance or mutual recognition agreement for the OTC derivatives market between two important jurisdictions, which then could be joined by other jurisdictions.

The members of the International Council of Securities Associations, and particularly of our Standing Committee on Regulatory Affairs, are keen to assist IOSCO in this effort. We look forward to an opportunity to meet with you and your colleagues in Madrid to discuss this issue more in depth on a suitable date later this spring or into the early autumn.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Ian Russell", with a long, sweeping underline.

Ian Russell, Chairman
ICSA Standing Committee on Regulatory Affairs

cc: David Wright, Secretary General
IOSCO