



December 11, 2008

Mario Draghi
Chairman
Financial Stability Forum

Re: *G20 Declaration 15 November 2008: Securities Issues and new Global
Financial Architecture*

Dear Mr. Draghi:

We are sending this letter on behalf of the Committee on Cross-Border Securities Issues of the Institute of International Finance (IIF), an association of about 390 international financial institutions; the International Banking Federation (IBFed), the representative body for a group of leading national banking associations; and the International Council of Securities Associations (ICSA), which is composed of the trade associations and self-regulatory organizations that represent and/or regulate the securities industry in all major financial markets. The three associations have been working together to develop appropriate responses to the current financial crisis while also supporting the work being done by the Financial Stability Forum and other international standard setters.

The point of this letter is a simple but important one: although prudential and systemic issues are appropriately the focus of attention of the FSF and other international standard setters at the moment, as the global economy emerges from the crisis, conduct of business regulation of securities markets will be as critical for a new architecture to support international financial stability as prudential supervision and regulation.

We would like to draw your attention to our very productive dialogue with the IOSCO Technical Committee on a range of topics, including post-trade transparency and the classification of wholesale and retail counterparties. We are pleased that the G20

Communiqué referred to conduct of business and market regulation as well as a wide range of other topics, and in this context we hope that you agree that it is important for IOSCO and industry representatives to continue to give appropriately high priority to ensuring that global markets work well for investors, market participants and the public at large. We would note, for example, the important work in these areas that will be done by the three Task Forces that IOSCO has recently announced.

In late 2007, the associations provided to IOSCO a detailed program of measures intended to suggest ways to develop a more consistent, effective, and efficient approach to regulation and we would be happy to provide the detailed documentation to the FSF. If implemented, we believe these measures would help develop stronger structures to achieve both regulatory goals and efficiencies that could help reduce the frictional cost of providing the finance that the global financial system will need to recover from the present crisis. We note that the G20 Action Plan calls for a broad reconsideration of international regulation and believe our work in these areas could form a useful part of that discussion.

In addition to achieving greater consistency of substantive regulation, we continue to believe that it should be a priority for regulators to find effective ways to reconcile a global financial market with the diversity of national regulatory approaches. We have offered our thoughts on a conceptual framework that would achieve this result, and believe that this issue has become all the more important in the wake of the financial crisis. In many cases, financial institutions operate internationally and finance is itself a global function and as the crisis has shown, markets respond very quickly and collectively to developments in any major country. It is thus necessary for the public sector to focus on common standards and efficient means of coordination of regulation and supervision, both across countries and across sectors.

We are very supportive of the work that has been done by regulators and legislators over the past several years to advance the objective of reconciling diverse national regulatory approaches in the interest of regulatory effectiveness as well as efficiency. However, it is clear that more needs to be done in this area. We are encouraged that the G20 recognized that it is important to avoid counterproductive measures that would hamper economic growth and exacerbate the contraction of capital flows, including to developing countries. Nonetheless, we are concerned that while national and regional concerns are appropriate in each specific context, they may lead to fragmentation rather than coordinated responses to the crisis. Ultimately, the effectiveness of regulation in each national system will achieve better results in globalized markets if well coordinated with other national systems. This is why we suggest that the types of capital markets proposals that we have presented to IOSCO should receive substantial priority in the global effort to develop more resilient, less vulnerable global markets and facilitate the financial system's emergence from the current crisis.¹

¹ We note that the IIF has proposed to the G20 that there be organized a global coordinating council under the aegis of the FSF to manage regulatory and supervisory issues for the global market in the future. That this council would include representatives of IOSCO as well as the Basel Committee, IAIS and central

In closing, we would also like to emphasize our strong support for the G20's call for regulation that is "... efficient, does not stifle innovation, and encourages expanded trade in financial products and services." The industry proposals just mentioned support very directly this goal.

The undersigned associations and their members are working to contribute to and participate in the development of robust solutions to remedy the difficulties that the global financial system has encountered in the current crisis.

Regarding this letter, please feel free to contact David Schraa, Director of Regulatory Affairs of the IIF (+1 202 857 3312; dschraa@iif.com), Sally Scutt, Managing Director of IBFed, (+44 207 216 8945; sally.scutt@ibfed.org), or Marilyn Skiles, Secretary General of ICSA (+1 212 313 1316, mskiles@sifma.org).

Very truly yours,



David Schraa



Sally Scutt



Marilyn Skyles

c.c. Ms. Jane Diplock, Chairperson of IOSCO Executive Committee
Mr. Christopher Cox, Chairman of the IOSCO Technical Committee
Mr. Guillermo Larrain, Chairman of the IOSCO Emerging Markets Committee
Mr. Greg Tanzer, Secretary General, IOSCO

banks from a range of countries is indicative of the fact that all the major financial-services sectors must be included in the new architecture of financial stability.