



ICSA

INTERNATIONAL COUNCIL of SECURITIES ASSOCIATIONS

August 31, 2007

Michel Prada, President
Autorité des marchés financiers
17 Place de la Bourse
75082 Paris, Cedex 02
France

Re: Discussion items for meeting with industry representatives

Dear Michel,

On behalf of the International Council of Securities Association (ICSA),¹ we would like to thank you for the invitation to meet with members of IOSCO's Technical Committee in Tokyo on November 6th. ICSA members consider that a structured dialogue between IOSCO and the industry is crucial given the rapid pace of change that is taking place within the securities industry on a worldwide basis. In preparation for that dialogue, we would like to take this opportunity to suggest some possible discussion items for the November meeting.

Regarding the substance of the dialogue, we believe that it may be useful for IOSCO members and industry representatives to examine and possibly develop:

1. Principles for "better regulation". Over the past several years governments and regulators in a number of jurisdictions have identified and in some cases adopted measures intended to improve the efficiency of their regulations. These "better regulation" initiatives have included a variety of measures such as the development of evidence-based regulatory policy formulation, a commitment to reduce unproductive rules, to regulate as lightly as possible, to consult more widely before regulating, and to make regulations straightforward and accessible. In some jurisdictions regulators have also undertaken a thoroughgoing and systematic review of their underlying regulatory philosophy, which in some cases has resulted in the adoption of a more principles-based and risk-based approach to regulation. We would encourage IOSCO, as part of its dialogue with the industry, to examine the effectiveness of these "better regulation" initiatives and, if

¹ ICSA is the global body for trade associations and self-regulatory organizations that represent and/or regulate the securities industry in their respective jurisdictions. ICSA's primary objective is to aid and encourage the sound growth of the international capital market by: (1) promoting international regulatory convergence and, where appropriate, mutual recognition of regulatory regimes; and (2) encouraging the mutual understanding and exchange of information among ICSA members.

- appropriate, to develop global principles for better regulation that could be promoted to all IOSCO members.
2. Principles for regulatory consultation.² ICSA members understand that an effective and structured consultation process encourages active cooperation between regulators and market participants and greatly helps to improve the quality and efficiency of the rules and regulations that are finally adopted. While we greatly appreciate the fact that IOSCO has developed and follows a comprehensive consultation program for its own work, it is clear that many individual IOSCO members still do not have programs in place that allow market participants to provide appropriate input into the design and implementation of regulatory policy. To remedy that situation, we would encourage IOSCO as part of its dialogue with the industry to develop principles for regulatory consultation that could be promoted to all IOSCO members.
 3. Principles for the governance of exchanges and other market infrastructure providers. The ongoing consolidation among exchanges and other market infrastructure providers should in theory bring with it a variety of benefits, including more integrated and liquid markets and lower costs for users. However, there is a possibility that a small number of exchanges will emerge as dominant players in a number of markets, leading to the potential for monopolistic pricing and other forms of uncompetitive behavior. Given the importance of this issue, we would encourage IOSCO as part of its dialogue with the industry to develop a framework for the implementation of governance arrangements at market infrastructure providers that would ensure standardization, accountability and transparency for owners, users and regulators.
 4. Principles for point of sale disclosure and customer suitability requirements. This is an important issue as there is a wide variation in disclosure and suitability rules between individual jurisdictions. Indeed, customer suitability rules appear to be non-existent in some IOSCO member jurisdictions. In these circumstances, we would encourage IOSCO as part of its dialogue with the industry to undertake work that would result in greater cross-border standardization between disclosure and suitability requirements in different jurisdictions. That work might include the development of principles for disclosure and suitability requirements that could be promoted to all IOSCO members.³

² This issue is a component of almost all better regulation initiatives. However, because it is such an important issue for the efficiency of capital markets, we would propose that it could be developed separately.

³ In addition, ICSA would encourage IOSCO to examine and possibly promote among its members the use of technologically enabled disclosure for “point of sale” information delivered to retail customers, in place of rules that require delivery of such information on a hard copy basis.

5. Principles for Training and Licensing of Market Professionals. This is an important issue as currently the accreditation and licensing of market professionals is done independently in each jurisdiction. Since there are no global standards for the training and licensing of market professionals, there are wide discrepancies in the type of training that is provided to market professionals in different jurisdictions. We would encourage IOSCO to work with the industry to develop global standards for the accreditation and licensing of market professionals in order to raise the level of training that market professionals receive in all jurisdictions, thereby raising standards for the industry as a whole. As a first step, it may be appropriate to focus on the training of market professionals in the wholesale or institutional market, only later broadening the focus to include the training of professionals that work in the retail market.

In addition to these specific issues, on a more general basis we believe that a major focus of the dialogue between IOSCO and the industry should be on the promotion of a rationalization of different regulatory requirements in international capital markets. This is an extremely important issue since financial markets are already global but regulatory regimes remain largely national and, as a result, firms active in the international capital market are faced with overlapping and at times inconsistent regulatory standards.

Given the importance of this issue for regulators and the industry alike, we would suggest that IOSCO in conjunction with the industry examine the barriers that exist to rationalizing the impact of different regulatory requirements in the international capital market and, on the basis of that analysis, develop a framework for how international regulatory consistency and efficiency could be accomplished.

Regarding the format of the dialogue between IOSCO and the industry, we believe it would be appropriate to have:

- Regular meetings between the Technical Committee and the industry –

As was discussed during the meeting in Madrid on March 26th, we believe that there should be at least one annual meeting between IOSCO and the industry. An annual meeting would provide the opportunity for regulators and industry representatives to share their concerns about specific issues and, in an informal manner, to discuss possible solutions. It would also provide the opportunity for participants to discuss emerging issues that may become important in the future. Consideration should also be given to holding a second meeting at some point during the year.
- A mechanism for interacting with individual Standing Committees –

In addition to scheduled meetings with IOSCO's Technical Committee, it would be useful to develop a formal mechanism that would allow industry representatives to easily communicate with the individual Standing Committees.

Our main concern is that the industry is currently not able to interact with the various Standing Committees in a flexible and informal manner.

- A mechanism for working together on specific issues –

We think it would be useful to develop a mechanism that would allow regulators and industry representatives to work together on specific projects. This would allow regulators to benefit from the expertise and insight of the industry on specific issues. One approach, which is already being used by the Financial Action Task Force (FATF), would be to establish working groups composed of IOSCO members and industry representatives that are focused on specific issues.

In closing, we again thank you for your leadership in helping to establish the basis for a constructive and ongoing dialogue between the private sector and IOSCO. We welcome the opportunity to engage with IOSCO in a concrete dialogue about issues of mutual concern and look forward to speaking with you further in early November.

Best regards,



Jonathan Taylor,
Chairman, ICSA Standing Committee on
Regulatory Affairs and Director General,
LIBA



Marilyn Skiles
Secretary General
ICSA

cc: Philippe Richard, Secretary General, IOSCO