



ICSA

INTERNATIONAL COUNCIL OF SECURITIES ASSOCIATIONS

November 9, 2006

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

Dear Michel,

We are writing to you in your capacity as Chairman of IOSCO's Technical Committee on behalf of the members of the International Council of Securities Association (ICSA), which is composed of the trade associations and self-regulatory associations active in the world's major securities markets.¹ We would like to take the opportunity in this letter to briefly describe several recent documents that have been endorsed by ICSA members and to propose a framework for a more structured relationship between IOSCO and ICSA.

One of ICSA's main missions is to aid and encourage the sound growth of the international capital market. To that end, ICSA members have recently endorsed a number of documents concerning different aspects of the international capital market. These documents, which are enclosed with this letter, are the following:

- Principles for Governance of Market Infrastructure
- Principles for Better Regulation
- Best Practices for Self-Regulatory Organizations

The *Principles for Governance of Market Infrastructure* provide a framework for governance arrangements at demutualized market infrastructure providers. Given the ongoing process of consolidation among market infrastructure providers, and the tendency for those entities to gain dominant or monopolistic market positions, ICSA members believe that regulatory and/or competition authorities should implement measures to promote competition among market infrastructure providers. If such a policy response is not possible or practical, appropriate governance structures and rules should

¹ The members of the International Council of Securities Associations (ICSA) represent and/or regulate the overwhelming majority of the world's equity, bond and derivatives markets. 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. A list of ICSA members is attached to this document.

be in place at market infrastructure providers so that the interests of users, the investing public and the economy as a whole are protected. The *Principles for Governance of Market Infrastructure* are intended to serve as a prototype for governance arrangements that could be implemented at demutualized market infrastructure providers.

The *Principles for Better Regulation* build on the “better regulation” initiatives that regulators in a number of jurisdictions have proposed and, in some cases, implemented. The *Principles for Better Regulation* are based on the understanding that capital market regulations often have the unintended effect of reducing the efficiency of the markets where they have been applied. The *Principles* suggest a framework for evaluating: (1) when regulation is necessary; and (2) alternative measures that could achieve the same objective but at a lower cost in terms of market efficiency.

The *Best Practices for SROs* propose a number of measures that self-regulatory organizations can implement in order to address concerns about conflicts of interest, regardless of their structure or the jurisdiction in which they are active. The *Best Practices* grew out a survey that ICSA conducted in an effort to understand how self-regulation is actually practiced in today’s financial markets. The results of that survey are contained in a short paper entitled, “Self-Regulation in Financial Markets: An Explanatory Survey”, which is also enclosed with this letter.

All of these documents will be discussed at the upcoming meeting of the SRO CC. We would also like to meet with the Technical Committee – or with a subset of the Technical Committee – as soon as possible in order to discuss the documents that we are sending you today. In addition, we would like to discuss the feasibility of ICSA meeting with the Technical Committee on a semi-annual or more frequent basis in order to discuss issues of common concern. Specifically, we believe that ICSA can assist IOSCO by providing feedback, on both a formal and informal basis, regarding proposed studies or measures under discussion. This feedback would be provided after ICSA members consult with their own members, so that the Technical Committee would be assured that it was receiving the views of market participants. Given the rapid pace of change in today’s capital markets, we strongly believe that IOSCO and market participants will both benefit from a closer and more structured relationship between IOSCO and ICSA.

Best regards,



Joe Oliver, President and CEO
Investment Dealers Association of Canada
and Chairman, ICSA Advisory Committee



Pierre de Lauzun, Chief Executive
French Association of Investment Firms
and Member, ICSA Advisory Committee

The following associations are members of ICSA:

Association of Capital Market Intermediary Institutions of Turkey (TSPAKB)
Australian Financial Markets Association (AFMA)
Bond Exchange of South Africa (BESA)
French Association of Investment Firms (AFEI)
International Capital Market Association (ICMA)
Investment Dealers Association of Canada (IDA)
Italian Association of Financial Intermediaries (Assosim)
Japan Securities Dealers Association (JSDA)
Korea Securities Dealers Association (KSDA)
London Investment Banking Association (LIBA)
NASD
Securities and Financial Markets Association (SIFMA)
Swedish Securities Dealers Association (SSDA)
Taiwan Securities Association (TSA)