



XV INTERNATIONAL CONFERENCE OF THE ASSOCIATION OF
EURASIAN CENTRAL SECURITIES DEPOSITORIES

WELL FUNCTIONING SECURITIES MARKETS AND INTERNATIONAL
COOPERATION
THURSDAY 27 SEPTEMBER 2018



- **What is IOSCO and benefits of being an active member**

IOSCO

- International Organization of Securities Commissions
- Primary international cooperative forum for securities market regulatory agencies
- Members: 140 securities regulators from all around the world, approx. 50 exchanges and IOs
- Was created in 1983
- Precedent: Inter-American Association of Securities Commissions
- Allow members to exchange information with a view to:
 - Develop securities markets and improve their efficiency
 - Coordinate development of securities markets standards
 - Develop and implement standards

IOSCO's Mission

IOSCO is the primary global forum for securities regulators,
It exists

- To cooperate to promote high standards of regulation to maintain just, efficient and sound markets
- To exchange information and experience to promote the development of domestic markets
- To unite efforts to establish standards and an effective surveillance of international securities and derivatives transactions
- To provide mutual assistance to promote the integrity of markets by a rigorous application of the standards and by effective enforcement against offences

Some Benefits of Being an IOSCO Member

- IOSCO provides a unique forum for securities market regulators and others to analyze the latest developments in securities market regulation, supervision, enforcement, risk identification and mitigation, and other issues affecting global securities markets
- Members have a say in the development of standards for the regulation of securities markets, and contribute to their implementation and global harmonization
- Members learn from the experiences of others through roundtable discussions, policy meetings, training programs, the Annual Conference and the IOSCO knowledge sharing platform

Additional Benefits of Being an Active IOSCO Member

- It means being a member of the global institutions network acting in the securities field
- Having a say in the global standard setting process
- Possibility to sign the *MMoU* on cooperation and exchange of information
- Training and education opportunities
- Opportunity to attend international meetings
- Financial markets gain international prestige and credibility by meeting the requirements for joining IOSCO

- **What is the MMoU and how it is used**

The Financial Systems & Globalization

- A weak domestic financial system is a systemic threat to both domestic and global stability
- In an environment of increasing cross-border capital flows it is almost impossible to develop domestic standards in isolation, as financial institutions spread across markets, introducing new products and new technology

Why is cooperation important?

- Because of increasing international activity in the securities and derivatives markets
- To better ensure compliance with and enforcement of securities regulations
- To tackle the current global challenges of securities regulators
- To combat securities fraud and other securities violations

Why was the MMoU established by IOSCO?

- To strengthen implementation of existing resolutions and agreements on information exchange
- To reinforce a message to the markets that regulators are co-operating and watching out for potential securities and derivatives fraud
- Because of increasing international activity in the securities and derivatives markets, and the corresponding need for mutual co-operation among securities regulators

Why is effective enforcement important?

- Without effective enforcement, investor confidence cannot be sustained, with the consequence that investors will be less willing to invest their savings and the cost of capital raising for productive enterprises will rise. If international investors come to believe that a particular domestic market is not fair and transparent they will factor that risk into their decision-making and likely invest in other markets where they perceive that that risk does not exist

What is the MMoU?

- An understanding among its signatories about how they will consult, cooperate, and exchange information for securities regulatory enforcement purposes
- It is the international standard on cooperation and exchange of information, and as such it is recognized by international organizations such as IMF, WB and FSB

What are the objectives of the MMoU?

- Enhancing jurisdictions' ability and willingness to co-operate internationally
- To better ensure compliance with and enforcement of securities laws and regulations
- Enhancing the ability of regulators to detect and deter cross-border financial crime

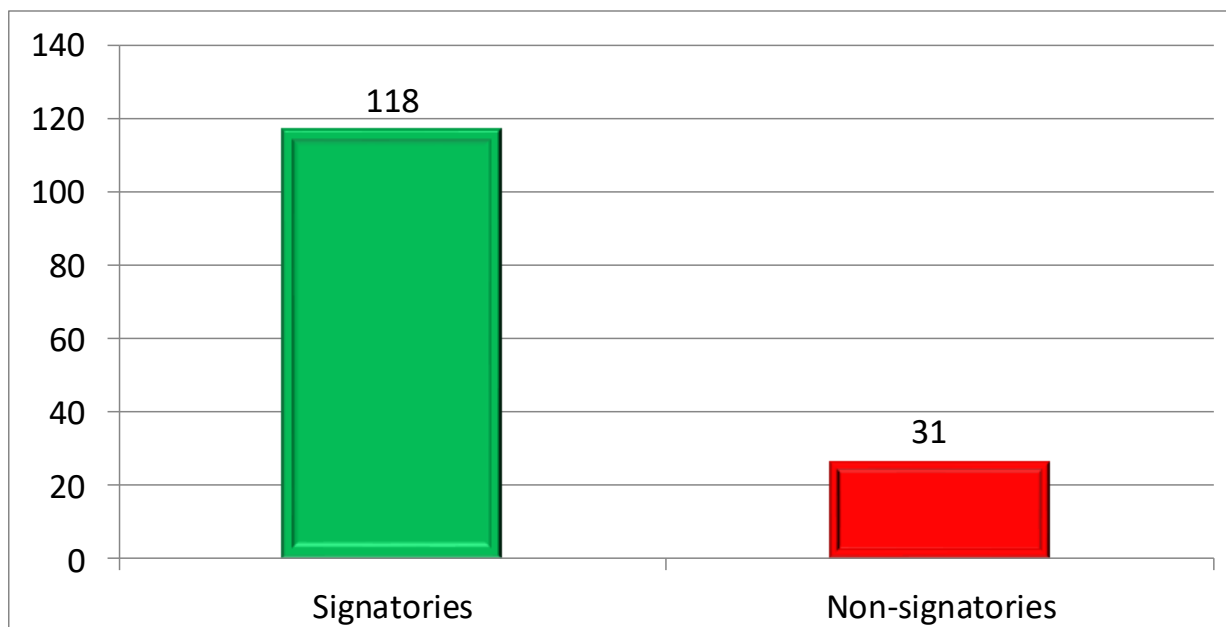
What does it mean to be a signatory to the MMoU?

- Being a signatory to the MMoU is a statement of a securities regulator`s commitment with regard to mutual assistance and the exchange of information for the purpose of enforcing and securing compliance with the laws and regulations of the relevant jurisdictions
- Signatories must have the legal ability and willingness to:
 - Gather information key to investigating and prosecuting enforcement matters
 - Provide information to foreign counterparts for the uses described in the MMoU
 - Protect the confidentiality of information

Commitments of a signatory to the MMoU

- Ability to obtain information on behalf of another signatory whether or not the violation being investigated abroad constitutes a domestic violation
- Authority to compel relevant information from any person: both regulated and non regulated persons, including legal entities and natural persons
- Authority to obtain information to reconstruct securities transaction, including banking trading and brokerage information, as well as beneficial ownership info
- Ability to transmit the information to another signatory
- Ability to preserve the confidentiality of information received from another signatory

Number of MMoU signatories and non-signatories (As of September 2018)

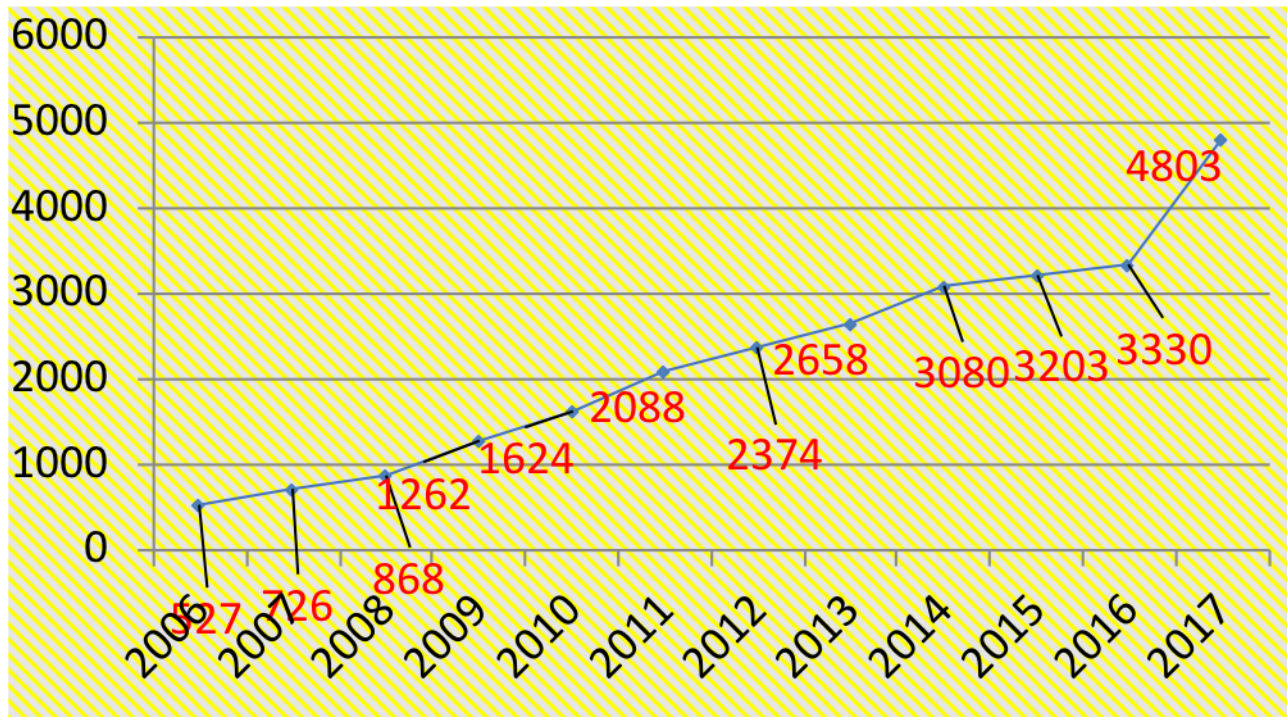


Main obstacles to become a Signatory

- No access to banking records
- Inability to compel information from unregulated persons
- Inability to obtain information on beneficial owners
- Inability to investigate if no domestic law has been violated
- Confidentiality issues

With the benefit of TA many countries have overcome these obstacles, through law reform 31

Requests made pursuant to the MMoU



□ Final comments

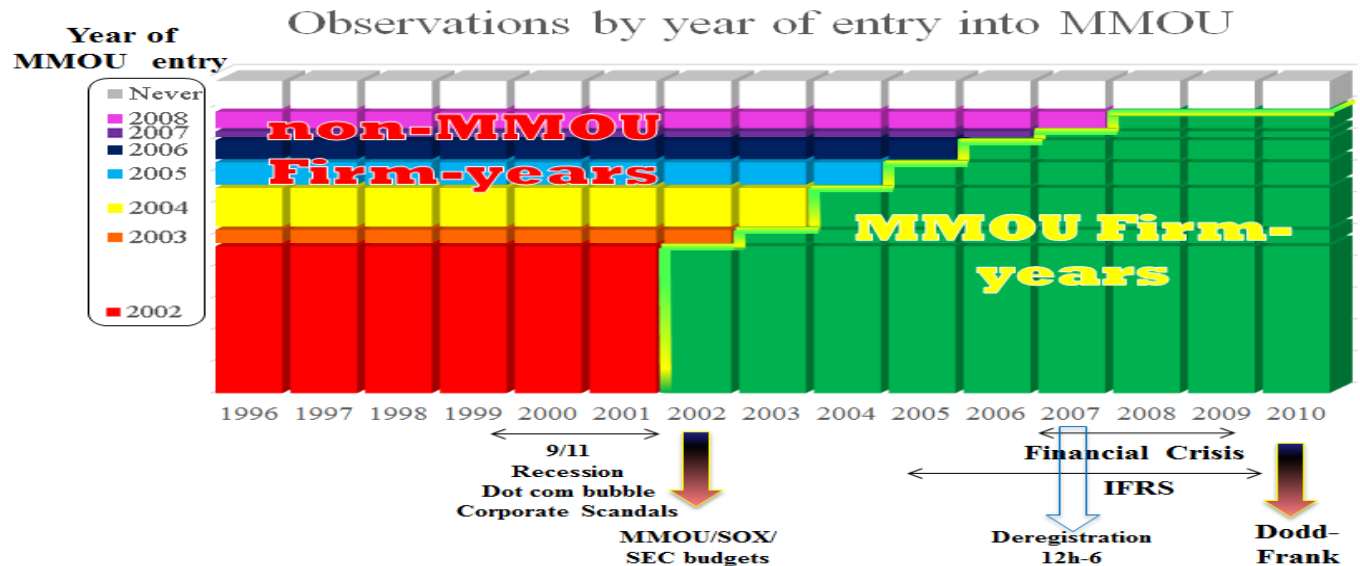
Benefits of the MMoU for securities markets

- Increases the credibility of capital markets
- Likelihood that signatories attract increased capital flows & experience a lowering in the cost of capital
- Recognition from international bodies & regulators around the world
- Moving on the implementation of the IOSCO Principles, which are the international standards on securities regulation

Two studies regarding economic effects of the MMoU

(1) The Effects of Cross-Border Cooperation on Enforcement and Earnings Attributes (Silvers 2016)

- ❑ Shows that cross-border enforcement by the SEC increases with the MMoU
- ❑ MMoU is associated with enhanced financial reporting quality
- ❑ Attributes of research design (staggered across time and country) yield strong causal inferences



Two studies regarding economic effects of the MMoU

(2) The Influence of Cross-Border Cooperation on Equity Market Liquidity (Silvers 2016)

- ❑ Cross-border trading exposes investors to risks that investors in local market are better informed
- ❑ Regulatory gaps made cross-border trading immune from consequences
- ❑ Study shows that MMoU helps fill this gap:
 - ❑ Enhances liquidity of overall market by 8-14%
 - ❑ Shares most sensitive to cross-border risks reap even larger benefit (additional 25%)



Conclusion

- The MMoU is a practical and effective international instrument that assists regulators to enforce their securities and derivatives laws
- As the enforcement activities of securities regulators become stronger, national financial markets are made more attractive to investors

Questions?