Revision and new core Principles. July 2010.

The International Organisation of Securities Commissions (IOSCO) has published 18 new Principles on cross-boarder supervisory cooperation. The release of these principles is due to the growing need to strengthen supervisory and monitoring cooperation of different parties in the markets that perform and carry out cross-boarder activities. IOSCO has released principles regarding some of these, both for their regulation and their supervision: hedge funds, rating agencies, counterparty associations, etc.
The starting point for these principles was established in the discussions held by the Economic Ministers of the G20, the Financial Stability Forum and those in the G20 Summit in September 2009. In these discussions, it was stressed that the IOSCO recommendations and directives had to be used to establish a global monitoring and regulatory system for the most appropriate markets and products. In October 2009, IOSCO established a work group within IOSCO activities as an answer to the crisis.

The main objective of the document is to help stock market regulators and supervisors find the most appropriate form of cooperation for each situation and compile what, as fitting the situation, are the essential aspects of a supervisory cooperation agreement. Besides the Principles, the document incorporates a model which brings together the most significant aspects to consider when establishing bilateral agreements regarding the matter.
The document establishes a framework for supervisory cooperation through agreements for sharing information and even for carrying out joint inspections. Furthermore, the now established Principles are supplemented with the IOSCO Multilateral Memorandum of Understanding concerning consultation and cooperation and the exchange of information on inspection matters.
Principles for supervisory cooperation.
The Principles focus on three elements to achieve productive cooperation in supervisory matters:
a) General principles: the usefulness of cooperation is explained and the kinds of information and consultation that regulators must share and attend to are described.

b) Principles regarding cooperation mechanisms: the workings of the Memorandum of Understanding (MOU), the supervisor associations and networks of regulators are described.

c) Principles regarding the mechanics of cooperation, for example: fundamental principles for the development of a memorandum of understanding (MOU) for supervisory cooperation.

Report on the development of supervisory cooperation among stock market regulators:
Different types of regulated entities and the globalisation of their operations are analysed and suggestions are made to increase cooperation among regulators, with the aim of improving the supervision of these entities. Specifically, two cases are mentioned in which a greater degree of cooperation could be necessary:
1) Regulated entities which operate within one jurisdiction but which have affiliations in other jurisdictions. The regulator may need help since the entity’s activities could be significantly affected by those of its affiliates.

2) Regulated entities that provide financial services in several jurisdictions and which, therefore, are supervised by various regulators. In these cases, cooperation may be necessary to avoid regulatory conflicts and to avoid supervisors duplicating their efforts.

The report points out different mechanisms to promote supervisory cooperation (MOU, supervisory colleges and networks of regulators). It also suggests that the concept of supervisory cooperation is broadened through the establishment of networks which assess risks in domestic and global markets. Likewise, the report indicates that regulators should explore cooperation opportunities in order to identify, supervise, and mitigate possible risks and to deal with and assess them within a global context.
Also, a section of the report is devoted to considering the possible obstacles to effective cooperation (for example, legal or organisational obstacles to sharing information). These obstacles should be eliminated if it is possible, but in the case that they persist, it is important to bear them in mind at the time of drafting cooperative agreements.
The MOU example discussed:

The document incorporates a memorandum of understanding model which could help regulators and stock market supervisors who are members of IOSCO in drawing up supervisory bilateral agreements. Through the agreement model (MOU) discussed, the way in which the Principles presented in the document can be put into practice are shown. The example provides possible measures which may be effective in cooperative agreements. What is more, it explains how to deal with legal or regulatory aspects that may become apparent during the drafting of agreements. In any case, it indicates that the conditions of the agreement should be set by the signatories and should reflect their legal circumstances in keeping with the respective legislation.

If you are interested in the document, you can see it at the following link:
https://www.iosco.org/library/pubdocs/pdf/IOSCOPD323.pdf