

“2015, Año del Generalísimo José María Morelos y Pavón”



Report of the Inter-American Regional Committee (IARC) to the IOSCO Board

1. Last meeting (January 22-23, 2015, Mexico City, Mexico)

On January 22-23, 2015 the National Banking and Securities Commission of Mexico (CNBV) hosted the regional committee meeting which was attended by representatives of several securities authorities¹.

As it has been done for years, the January 2015 Mexico City meeting was held in conjunction with the Council of Securities Regulators of the Americas (COSRA). These joint meetings constitute a valuable mechanism for strengthening the supervisory liaison in the continent and foster the cross border cooperation among IOSCO, non-IOSCO securities authorities and self-regulatory organisations (SRO). It is an opportunity to discuss market trends, sharing common supervisor concerns and to be updated on recent regulatory developments conducted by foreign counterparts.

The January meeting was built on the comprehensive report made by Mr. David Wright about IOSCO's core initiatives, covering from the IOSCO Strategic Direction Plan 2015-2020; Capacity Building project; global and regional emerging risks; as well as to the new mandates being proposed by different policy committees.

The three existing IARC/COSRA working groups presented their progress reports to members. Some highlights of their discussions are listed below:

- i. **WG on IARC/COSRA Relationship**
Its purpose is to identify specific areas where IARC and COSRA By-laws may prevent a proper coordination between them and to develop the more suitable recommendations. Four areas were identified for reaching consensus: i) Appointment of COSRA and IARC Chairman; ii) Requirements to be fulfilled in order to be elected COSRA/IARC's Chair or Vice-Chair (1st. IARC

¹ Comisión Nacional de Valores of Argentina, Securities Commission of The Bahamas, Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais of Brazil, British Virgin Islands Financial Services Commission, Cayman Islands Monetary Authority, Superintendencia de Valores y Seguros of Chile, Superintendencia Financiera de Colombia, Autoregulador del Mercado de Colombia, Central Bank of Curacao, Superintendencia de Valores of Dominican Republic, Superintendencia del Sistema Financiero of El Salvador, Federación Iberoamericana de Bolsas (FIAB), Instituto Iberoamericano de Mercados de Valores, International Organization of Securities Commissions (IOSCO), Financial Services Commission of Jamaica, Comisión Nacional Bancaria y de Valores of Mexico, Ontario Securities Commission, Superintendencia del Mercado de Valores of Peru, Autorité des Marchés Financiers of Quebec, Trinidad and Tobago Securities and Exchange Commission, Financial Industry Regulatory Authority (FINRA) of United States of America, Commodity Futures Trading Commission of United States of America, Securities and Exchange Commission of United States of America and the Banco Central of Uruguay.

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Representative); iii) Regional balance; and iv) voting rights. A revised proposal will be presented by the WG to IARC/COSRA members in the forthcoming months.

ii. **WG on Corporate Governance Issues**

Its purpose is to analyze corporate governance practices in the Americas. The Group is currently analyzing the survey responses requested in July 2014. In the forthcoming months, preliminary contents for the report will be proposed and submitted for comments to members. The draft report will be concluded by July 2015 and will be submitted, for consideration, to the working group. Then, the report will be submitted for approval to the IARC-COSRA members. Additionally, a potential joint work with the Organization for Economic Co-operation and Development (OECD) will be assessed regarding the revision of Corporate Governance Principles and with regard to the Latin-American Integrated Market's efforts.

iii. **WG on SROs Conflict of Interests**

Its objective is to identify experiences and practices conducted by regulators and SROs when facing different types of conflicts of interest. The information obtained will be used for developing a supervisory/SRO guideline to face those situations. The WG identified seven sub-topics as potential conflicts of interest in an SRO and members were informed on the progress achieved up to date. In particular, efforts have been made on the first two sub-topics: i. the directorship of the SRO, which may be made up of a majority of market participants, may have undue influence over the regulatory decisions of the SRO; ii) the dependence of the regulatory arm of the SRO on the business or operational arm for funding, may lead to an underfunding of the regulatory activities. In the coming months, the WG will continue working on sub-topic 3 and will determine next steps.

It is noteworthy that corporate governance issues continue to be amongst the most relevant topics for the region. The Ibero-American Institute for Securities Markets (IIMV), regional body for securities regulators of the Ibero-American region, updated IARC/COSRA members on its almost final version of the [Study on Corporate Governance of listed companies in Ibero-American Region](#). This project started in October 2013 and incorporates the perspective of supervisors, industry and members from the academia. It analyses bond and equity markets' evolution, corporate governance essentials, social responsibility and good governance in family and public companies. The final study will be presented in the second quarter of 2015.

From the industry perspective, the Ibero-American Federation of Exchanges (FIAB) updated IARC/COSRA members on the findings of its recent study “Diagnosis and recommendations for the development of the capital markets and cross border investments”. This analysis presents for several Ibero-American jurisdictions its “level of inhibition” that is hindering their securities markets' growth and/or preventing them from receiving cross-border investment flows.

The level of inhibition results from the assessment of the five following categories of macro-inhibitors: i. Tax issues; ii. Exchange rate; iii. Clearing and settlement; iv. Mutual funds; and v. Pension funds, each one having a set of weighted core and secondary factors that when combined results in a final grade ranging from null to very strong level of inhibition. Recommendations were developed to gradually remove inhibitors. The entire study can be consulted at <http://fiabnet.org/attach/In/Informes-Consultor/INDICE.pdf>

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2. Current issues under discussion

The Financial Services Commission of Jamaica became a MMoU signatory on February 13, 2015. However, the Inter-American Regional Committee still has the lowest level of MMoU signatories among IOSCO. This certainly poses a challenge for the regional committee and for the Organization, since non-MMoU signatories are impeded to participate in any of the policy committees; thus they cannot be truly involved in IOSCO’s regulatory agenda and this may hinder their sense of belonging to the Organization. This MMoU signatory status has been and will continue to be one of IARC’s priorities for the near term and thus, is one key topic being tabled at IOSCO Board discussions.

In the January 2015 meeting all IARC non-signatories jurisdictions were invited to hold a bilateral meeting with the IOSCO technical advisor and a C4 representative in order for them to update on their legislative status for adhering to this international cooperation mechanism. The IARC Chair is committed to support IARC members in becoming signatories of the IOSCO MMoU and therefore, this initiative will continue to be included in the agenda for all forthcoming meetings under his chairmanship.

3. Next meetings

November 12-13, 2015
May 2016

Jamaica
Lima, Peru