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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

IOSCO/MR/27/2014

MADRID, 17 September 2014

IOSCO consults on risk mitigation standards for non-centrally cleared OTC derivatives

The International Organization of Securities Commissions today published the consultation report *Risk Mitigation Standards for Non-centrally Cleared OTC Derivatives*, which proposes nine standards aimed at mitigating the risks in the non-centrally cleared OTC derivatives markets.

The proposed risk mitigation standards would contribute to the G20 effort to strengthen the OTC derivatives market in the wake of the global financial crisis. One of the key planks of the G20 reform programme has been to encourage the central clearing of standardised OTC derivatives. However, a substantial proportion of OTC derivatives are not standardised and hence not suitable for central clearing. The proposed standards are aimed at these non-centrally cleared OTC derivatives.

The proposed risk mitigation standards are expected to bring about three main benefits:

- Promoting legal certainty and facilitating timely dispute resolution
- Facilitating the management of counterparty credit and other risks
- Increasing overall financial stability

The proposed risk mitigation standards, which are developed in consultation with the Basel Committee on Banking Supervision (BCBS) and the Committee on Payments and Market

Infrastructures (CPMI), would complement the margin requirements developed by the BCBS and IOSCO in September 2013 in strengthening the non-centrally cleared OTC derivatives market.

The proposed risk mitigation standards cover nine areas:

- Standard 1: Scope of Coverage
- Standard 2: Trading Relationship Documentation
- Standard 3: Trade Confirmation
- Standard 4: Valuation with Counterparties
- Standard 5: Reconciliation
- Standard 6: Portfolio Compression
- Standard 7: Dispute Resolution
- Standard 8: Implementation
- Standard 9: Cross-border Transactions

Comments on the proposals should be submitted on or before 17 October 2014.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.

2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Portugal, Quebec, Romania, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, United Kingdom and the United States.

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3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavors to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.

4. IOSCO aims through its permanent structures:

   - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
   - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
   - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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