



ICSA

INTERNATIONAL COUNCIL OF SECURITIES ASSOCIATIONS

August 8, 2012

Mark Carney, Chairman
Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Dear Mr. Carney:

We are writing in response to your letter of 16 July 2012. We greatly appreciate your letter and would like to briefly comment on some of the issues that you raise in that letter.

First, regarding your suggestion that ICSA could comment on the FSB's most recent progress report on OTC derivatives reforms as well as the work being done for the fourth report, we would be pleased to work with the FSB on a data gathering exercise to obtain a clearer view of the extent to which progress has been made on OTC derivatives reform in various jurisdictions. We believe that it would be valuable to canvass expert views from a variety of jurisdictions in a structured way since it is possible that the indicators used by the FSB to measure progress on OTC derivatives reform may not effectively capture all of the work that has been done in individual jurisdictions. As a case in point, we are aware that regulators in some jurisdictions have taken considerable time to evaluate different policy options, which has included extensive consultations with market participants. Moreover, as was noted in the FSB's most recent update, many jurisdictions have been waiting for regulations in the key jurisdictions to be clarified. Therefore, the criteria used in the FSB's progress report, which looks at the formal progress that has been made in legal and regulatory terms, may not actually capture all of the important preparatory work that has been done in some jurisdictions. Marilyn Skiles, Secretary General of ICSA, will shortly be in touch with Svein Andressen to discuss this project.

Second, in response to your letter we are now planning to prepare a submission to the FSB's Standing Committee on Standards Implementation suggesting one or more potential new topics for peer reviews that would be conducted later this year or in 2013. For example, as we wrote in our 23 May 2012 letter to you, ICSA members are concerned that regulations being put in place in different G20 jurisdictions are not in harmony with one another and, as a result, G20 commitments for consistent global standards are not being met. Although some convergence in approaches has been facilitated by the standards set by the FSB and the global standard-setting bodies, there still appears to be substantial differences in the manner in which some of these standards are being or will be implemented. In light of these concerns, which are shared by many market participants, we think that it would be extremely useful for the SCSI to conduct a peer review examining the extent to which major financial sector reforms in various jurisdictions

are comparable with one another. We envision that a peer review of this type would take particular note of comments from industry participants regarding their own experiences with the new regulations, both within an individual jurisdiction and on a cross-border basis.

Finally, we note the concerns that you expressed regarding ICSA's proposal for the FSB to work toward developing a framework for multilateral mutual recognition agreements in particular areas of regulatory policy. Specifically, you note that such a framework may be too ambitious in the near future since national policy frameworks are undergoing significant changes as jurisdictions implemented ambitious financial sector reforms.

We are aware that developing mutual recognition (or substituted compliance) agreements is an extremely time consuming process and is made more difficult by the ongoing financial sector reforms currently taking place. We note, however, that there is a pressing need for formal processes or frameworks that would encourage regulators to "recognize", on an accelerated basis, the extent to which regulations in other jurisdictions are comparable to their own. Inter-jurisdictional recognition will contribute to more cost-effective regulation by eliminating duplicative compliance requirements and will thereby encourage the development of the global capital market, which in turn should contribute to higher rates of global economic growth. Accordingly, we are writing separately to IOSCO to suggest that they develop global principles for substituted compliance/mutual recognition agreements among securities market regulators. Such principles should both encourage and help to facilitate the process of "recognizing" similarities in regulations between jurisdictions, even in cases when those regulations are not strictly "equivalent".

In closing, we would like to once again express our appreciation for your letter. We look forward to working more closely with the FSB in the future.

Sincerely,



Jong Soo Park, Chairman
International Council of
Securities Associations (ICSA)



Ian Russell, Chairman
ICSA Standing Committee on
Regulatory Affairs

cc: Svein Andresen
Secretary General
Financial Stability Board