International Banking Federation

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

tel: + 44 (0)20 7216 8947
fax: + 44 (2)20 7216 8928
web: www.ibfed.org

IBFed Response to CESR's Call for evidence on mutual recognition with non-EU jurisdictions

General remarks

1. The International Banking Federation (IBFed) is the representative body for a group of key national and international banking federations. Its membership includes the American Bankers Association, the Australian Bankers Association, the Canadian Bankers Association, the European Banking Federation, and the Japanese Bankers Association. The China Banking Association and the Indian Banks Association are associate members. This worldwide reach enables the Federation to function as the key international forum for addressing legislative, regulatory and other issues of interest to the global banking industry.

2. IBFed is a general supporter of open capital markets, in combination with and based on sound regulatory and supervisory principles and standards. IBFed notes, however, that the financial crisis has understandably brought about a different set of priorities for national regulators. Against this context, **CESR's work on global financial markets integration, based on mutual recognition and other alternatives to cross-border capital markets access, is to be particularly welcomed**.

3. IBFed members favour an opportunistic approach as to what is the best policy option to modernise regulation and enhance access to cross-border capital markets. The IBFed believes that **each (i) mutual regulatory recognition, (ii) rules exemptions, and (iii) targeted rules convergence can be useful gateways to reducing the complexity, cost and burden of complying with different national rules**. Moreover, irrespective of the gateway of choice, effective supervisory cooperation among competent authorities is paramount.

4. IBFed maintains that the concept of **mutual recognition** is conducive to protecting investors, fostering capital formation and enhancing fair, orderly and efficient securities markets spanning borders and continents.

5. IBFed also notes that the financial crisis has highlighted that the confidence investors can put in financial markets largely depends on global initiatives about the **standardisation of some products** (e.g. securitisation vehicles, credit default swaps) **and processes** (e.g. OTC derivatives clearing through central clearing counterparties) around international principles. While the "institutional" aspects of financial

regulatory reforms (*i.e.*: supervision of financial firms) have been addressed mostly at national level, financial products regulation would certainly benefit from a convergent approach at international level. In that respect, ongoing global coordination between the industry and the regulatory and supervisory community has already provided evidence that convergence can be efficiently achieved on certain areas (e.g. accounting standards)

6. **Regulation and supervisory systems that are currently being reshaped in many jurisdictions, as well as at the global level, are a not-to-be-missed opportunity to make sets of national regulations and international standards more consistent**. Regulatory proposals should be crafted bearing in mind the objective of preventing that further barriers may impede the cross-border access and operations of firms that wish to operate on a transnational basis.

7. For this reason, the IBFed supports and is in continuous dialogue with international standard setters such as the International Organization of Securities Regulators (IOSCO) and welcomes, in particular, the setting up the setting up by **IOSCO's Technical Committee of a Task Force on Supervisory Cooperation** which is to consider the manner in which regulators cooperate in the supervision and oversight of market participants whose operations cross borders.

8. The IBFed believes that its thinking is aligned with the **November 2008 statement of the G20**, which recognised the international nature of financial markets; supported the strengthening of international regulatory standards; and committed to free market principles including open trade and investment.

Yours sincerely,

Sally Scutt	Pierre de Lauzan
Managing Director	Chairman
IBFed	IBFed Financial Markets Working Group