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For Immediate Release

PRESS RELEASE

IOSCO Moves to Strengthen International Capital Markets against Financial Fraud

The International Organization of Securities Commissions (IOSCO) is taking action in response to recent high profile incidents of securities fraud and market abuse. At its meeting today in Madrid, the IOSCO Technical Committee set up a special Chairmen's Task Force, composed of Chairmen of a number of member Commissions, to organize and coordinate IOSCO's response in this area.

As a priority, the Task Force will:

- identify potential new issues arising from recent cases, including concerns about transparency in the bond markets, the role of unregulated entities, the role of complex group structures, and appropriate levels of sanctions;
- review implementation of existing standards, including current mechanisms for international cooperation; and
- suggest responses aimed at producing appropriate regulatory incentives, such as improving risk identification and assessment by regulators and giving attention to uncooperative and under-regulated jurisdictions.

The recent revelations of accounting and auditing irregularities serve to emphasize the critical importance of the initiatives that IOSCO and its national securities commission members have taken relating to corporate disclosures and the quality of audits of public companies. High quality accounting principles and the availability of high quality audits of public companies is critical to the proper functioning of securities markets and the protection of investors.

International efforts on these initiatives started in May 2000 with the issuing by IOSCO of a resolution on international accounting standards and continued in response to accounting, disclosure, and auditing irregularities that were uncovered beginning in 2001.

Over the last two years, the IOSCO Technical Committee has issued a series of statements of principles designed to:

- promote reforms to enhance disclosure of material information by public companies;
- improve the quality of audits of public companies;
- enhance auditor independence; and
- establish auditor oversight mechanisms.

These statements of principles were endorsed by IOSCO's full membership in October 2003.

Also, the Technical Committee has issued reports and statements of principles relating to financial analysts and credit rating agencies regarding conflicts of interest that these firms must address. And in 2002 IOSCO adopted a *Multilateral Memorandum of Understanding* on regulatory cooperation and information sharing, a significant new tool to enhance the ability of securities regulators to conduct cross-border investigations of international securities fraud. A list of these statements of principles and reports is attached.

Actions by IOSCO and its members with respect to accounting and auditing have been pursued in close cooperation with other competent national and international bodies, such as the Financial Stability Forum, the International Accounting Standards Board, and the International Federation of Accountants (IFAC). IOSCO and its members will continue this close cooperation.

Andrew Sheng, the Chairman of the IOSCO Technical Committee, said:

"National authorities are making a concerted effort to implement the principles set out by IOSCO regarding disclosure, auditing, conflicts of interest, and information sharing and cooperation. We will work together to strengthen our financial markets against financial fraud."

Recent events demonstrate that constant vigilance by regulators, both nationally and internationally, is required relating to accounting and disclosure practices and the auditing of public companies. But IOSCO emphasizes that the task of preventing disclosure, accounting, and auditing irregularities in public companies is the primary responsibility of the boards of directors and management of those companies and their auditors. The management of those companies and their auditing firms must undertake, as a complement to any regulatory reforms, to review and reform their internal procedures and controls and their corporate governance mechanisms to create a corporate culture that will prevent such irregularities occurring

At its meeting, the IOSCO Technical Committee also decided to assess progress made on implementing the IOSCO statements of principles relating to auditors' independence and oversight and to develop standards relating to late trading, market timing, and governance in the mutual funds industry.

The IOSCO Technical Committee also established a special Task Force under the Chairmanship of US SEC Commissioner Roel Campos to develop over the next few months a code of conduct for credit rating agencies.

Mr. Campos commented:

“I am optimistic that, with the contribution of the credit rating agencies, this project will be quickly and successfully concluded.”

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List of IOSCO Statements and Reports

Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information, IOSCO, May 2002 (IOSCO Public Document No. 126);

Principles for Ongoing Disclosure and Material Development Reporting by Public Entities, IOSCO, October 2002 (IOSCO Public Document No. 132);

Principles of Auditor Independence and the Role of Corporate Governance in Monitoring an Auditor's Independence, IOSCO, October 2002 (IOSCO Public Document No.133);

Principles for Auditor Oversight, IOSCO, October 2002 (IOSCO Public Document No. 134);

General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations, IOSCO Technical Committee, February 2003 (IOSCO Public Document No. 141);

IOSCO Statement of Principles for Addressing Sell-Side Securities Analyst Conflicts Of Interest, IOSCO Technical Committee, September 2003 (IOSCO Public Document 150);

IOSCO Statement of Principles Regarding the Activities of Credit Rating Agencies, IOSCO Technical Committee, September 2003 (IOSCO Public Document No. 151);

Report on Analyst Conflicts of Interest, IOSCO Technical Committee, September 2003 (IOSCO Public Document No. 152); and

Report on the Activities of Credit Rating Agencies, IOSCO Technical Committee, September 2003 (IOSCO Public Document No. 153).