

A UK perspective

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Introduction

- **UK strongly supports the judicious use of mutual recognition**
 - UK regime has elements of 'unilateral' recognition such as the Recognised Overseas Exchanges regime
 - Agree with the SEC that judicious removal of regulatory barriers can promote global markets and economic welfare
 - Up to the industry to take advantage of any advances in this area. We should aim to reduce regulatory barriers to allow markets to develop
- **We will take a close interest in the discussions with Australia, Canada and the proposal to reform 15a-6**

Industry has a key role



- **EU/US coalition on financial regulation**
- **Alternative approaches**
 - Exemptive relief
 - Regulatory recognition
 - Rules standardisation
- **Partial exemption is the most promising approach in the short term**
- **Coalition has come up with a shopping list of priorities**

EU context



- **Whatever form of MR emerges must in principle be available to all**
 - No cherry picking
 - No bilateral deals
- **But may not be sensible or suitable for all EU states right away**
- **Hence the need for sensible criteria**

A broader perspective



- **Mutual recognition/partial exemption are examples of principles based regulation**
 - *'...This does not mean that regulators will adopt one identical approach to securities regulation but differing approaches may achieve the same desired outcomes.'* (SEC March 2008)
 - *'Instead of examining each rule of the foreign jurisdiction we would generally assess the adequacy of that jurisdiction's oversight. If the foreign jurisdiction's regulatory regime is deemed adequate, a firm could be eligible for exemption.'* (Commissioner Atkins April 2008)

A broader perspective



- **This requires a judgement based process for establishing 'equivalence'**
- **EU and UK are well used to such approaches:**
 - Assessments of accounting regimes
 - Assessments of equivalence of consolidated supervision
- **By definition this is not consistent with**
 - A requirement that rules converge
 - A requirement that the use of supervisory tools is identical
 - An assessment process which relies on narrow indicators

Enforcement



- **Frequently mentioned in this context**
- **Comparisons are sometimes drawn between SEC and others**
- **UK approach:**
 - Credible deterrence
 - More emphasis on enforcement especially in market abuse
 - Internal re-organisation and strengthening
- **Notwithstanding strong UK approach, crude measures of enforcement or other tools must not be the criteria**

Conclusions



- **Very much welcome steps towards mutual recognition, partial exemption**
- **We should all work towards the removal of regulatory barriers that inhibit globalisation but do little to promote investor protection**
- **We need a coherent EU approach to this**
- **But MR is by definition a principles (ie outcomes focused) activity**
- **That requires proper assessment of equivalence not reliance on narrow measures**