



U.S. Securities and Exchange Commission

SEC Announces Next Steps for Implementation of Mutual Recognition Concept

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Washington, D.C., March 24, 2008 - The Securities and Exchange Commission today announced a series of actions it intends to take to further the implementation of the concept of mutual recognition for high-quality regulatory regimes in other countries.

The Commission contemplates taking the following actions:

- Exploring initial agreements with one or more foreign regulatory counterparts, which would be based upon a comparability assessment by the SEC and by the foreign authority of one another's regulatory regimes.
- Considering adoption of a formal process for engaging other national regulators on the subject of mutual recognition. This process could be accomplished through rulemaking or other appropriate mechanisms, possibly informed by one or more initial agreements with other regulators.
- Developing a framework for mutual recognition discussions with jurisdictions comprising multiple securities regulators tied together by a common legal framework, including Canada (which has no national securities regulator, but rather provincial regulators) and the European Union (whose national securities regulators are subject to supranational legislation and directives).
- Proposing reforms to Rule 15a-6 in order to improve the process by which U.S. investors have access to foreign broker-dealers.

"The steps we are announcing today are designed to better coordinate SEC regulation of the U.S. capital markets with our counterparts' regulation in the larger global marketplace," said SEC Chairman Christopher Cox. "Innovations in technology have eliminated many barriers to cross-border access between U.S. and foreign markets, and that in turn has increased U.S. investor demand for foreign investment opportunities. By beginning to build a sturdy basis for cooperation among securities regulators who share the same concerns, we can greatly improve investor protection and market efficiency worldwide."

The Commission's engagement of other regulators in an effort of coordination and cooperation has spanned more than 20 years. These efforts have included the reaching of memoranda of understanding regarding enforcement cooperation, technical assistance, and investigatory collaboration with more than 30 foreign jurisdictions. In the past decade, as global markets have become more interconnected, the SEC has been approached by market participants and foreign regulators regarding the possibility of reducing regulatory barriers between high-quality markets. Recently, the Commission has engaged in an extensive exploration of the issues, including the holding of a Mutual Recognition roundtable on June 12, 2007. The Commission also has had the benefit of the extensive public discourse, including the publication of formal studies and recommendations by various private groups.

The steps that the Commission is announcing today proceed from the following premises:

- Globalized markets and increased cross-border access offer many potential benefits for U.S. investors, including broader investment choices, lower transaction costs resulting from increased competition and technology, increased efficiency of transactions, improved integration of cross-border trading and technology, greater opportunity for diversification, and more access to information about foreign investment opportunities. At the same time, taking advantage of these developments requires greater international cooperation to ensure consistent and strengthened investor protection.
- Today, regulatory overlap from different national securities regulatory regimes can pose impediments to cross-border trading. This overlap can result in additional costs for U.S. investors and regulatory compliance burdens on market participants without consideration of whether such costs afford any additional meaningful investor protections.
- Even as exchanges consolidate and trading occurs without regard to borders, securities regulation remains primarily a national function, and likely will remain the province of domestic regulators for the foreseeable future.
- While presiding over their own national regulatory regimes, securities regulators worldwide continue to work together to promote efforts to reach consensus on, and where possible convergence of, shared principles of high-quality securities regulation designed to promote the protection of investors globally. This does not mean that regulators will adopt one identical approach to securities regulation, but differing approaches may achieve the same desired outcomes.

The Commission also is taking this opportunity to express again its interest in discussing market access with foreign counterparts, investors, and other interested parties, as well as other issues affecting international regulatory cooperation.

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