

**Intervention to the IOSCO European Regional Committee, Budapest, 7th May, 2018.
Dr Andy Sloan, Director, International Policy Advisor, GFSC**

We would first like to explain the rationale behind our intervention here today.

We have watched at close quarters the development of the mutual recognition narrative over the last year or so and we believe our experience and expertise of maintaining regulatory consistency with the regimes of others provides us the credibility to make this contribution today.

We are a small global financial centre happily operating to international standards and generally, living as policy takers, our modus operandi is to incorporate and apply emerging international standards as they develop in order to maintain our ability to trade.

Our particular expertise in funds - the Channel Islands combined are Europe's seventh largest funds' domicile – we believe lends legitimacy to our view that it is the funds sector that the practice of mutual regulatory recognition can be most readily applied.

Our most recent discussions with practitioners and industry bodies in the sector leads us to believe that this view is widespread and is genuine and growing concern about a fragmentation of standards and practices globally and a desire for harmonisation of standards and a reduction of global regulatory costs which the mutual recognition could help achieve.

In 2015 IOSCO published the seminal work of the Task Force on Cross Border Regulation.

What that 2015 paper did to was to set out a four step process as a roadmap for an outcomes based assessment for regulatory regime recognition, effectively providing guidance for use in the development of the mutual recognition process.

The summary of the process into such simple, clear steps was of itself an extremely powerful and significant development.

It has, through dissemination and citation, itself become a generally accepted benchmark in the policy debate around mutual recognition processes.

However, the four step process is by necessity and construction high level and generic. There is a need for a level of prescription deeper than the current four step process.

The nature of regulatory regimes across the funds sector is, we feel, consistent with this: fund regimes by their nature typically have a high degree of commonality of structure and provide a natural degree of granularity thus we believe lending themselves more easily to an application of mutual recognition.

Our instinct is that development of a template and/or multilateral instrument could provide a foundation and catalyst for funds regime recognition.

The work of the IOSCO 2015 Taskforce stopped some way short of this ambition.

We believe given global interest in the concept that there is now merit in trying to take forward this concept and assessing its worth in the global regulatory context for funds regimes.

We recognise that the most likely starting point for consideration of such an approach would be at the professional fund level where investor protection issues are more tractable.

Over the last 18 months, we have as a jurisdiction experienced several occasions where such an instrument or template would have proven valuable in dialogue with other regulators. We are in the process of developing our own internal template for future use in future bilateral discussions.

Our purpose in making this intervention today is merely that we wished to register our belief in the following points:

- that a renewed global interest in mutual recognition lends itself to a ‘moving on’ of the seminal 2015 work of IOSCO in this area;
- that the funds sector is potential fertile ground for the development of mutual recognition; and
- that exploiting the concept of a template or multilateral instrument might help achieve both.

We are not so presumptive as to suggest we know how to get there or even to describe a process of getting there.

Our hope is merely that in registering these points today in the forum of the European Regional Committee we have helped bring attention, if needed, to this concept and hope it might help this approach find itself subsequently being given appropriate airtime at appropriate point in an appropriate place going forward.

We will look to present in more detail later in the year in Luxembourg.

And on that, hopefully appropriate note, I will conclude. Thank you.