Post crisis International Financial Regulation: Where have we reached?

Securities Market perspective

Amarjeet Singh
Post GFC – International Reforms Play

Financial Stability - FSB

Securities Market (IOSCO)
- NBNI G-SIFIs
- OTC Derivatives
- FMIs
- CRAs
- Money Market Funds

Banking/ Prudential (BCBS)
- Basel III
- Ending Too Big to fail G-SIBs (30)
- Enhancing Fin Consumer protection
- Shadow banking
- OTC Derivatives
- CRAs etc.

Insurance (IAIS)
- G-SIIs (9)
- Strengthening Deposit Insurance
Post GFC push for Securities Market Regulators

- Contribute to management of Systemic Risk
- Review perimeter of regulation regularly
- Have adequate oversight of:
  - Gatekeepers: CRAs and Auditors
  - Hedge Funds
  - Research Analysts
- Make Derivatives market safer
- Strengthen Financial Market Infrastructure (SSS, CCPs)
- Strengthen Regulation of MMFs
How have we fared? (1/2)

- Renewed focus on Systemic Risk and Perimeter of Regulation
  - FSDC, FSDC SC - 2010
    - IRTG – 2011, EWG - 2012
  - MOU for supervision of FCs - 2013
  - Proactive review of Reg Perimeter (CIS, AIFs)

- Regulatory framework widened
  - New Players brought in regulatory ambit
    - Alternative Investment Funds – 2012
    - Investment Advisors – 2013
    - Research Analysts – 2014
How have we fared? (2/2)

– CRAs regulated since 1999, further strengthened
– Amendments to various regulations from time to time
– Auditors (CG norms, Companies Act, ICAI, QARC)
  - OTC Derivatives on Securities not allowed (SCRA)
  - FMI reforms on track
POST GFC- SEBI Organizational Initiatives

- Review of Priorities and Organizational structure by an independent external consultant
- Constitution of an International Advisory board
- New Advisory Committees (AIFs, Corporate Bonds, QARC etc.)
- Annual Brainstorming Events
Post GFC Trends

Enhanced Enforcement

Implementation Monitoring

Cross Border Concerns
## Increase in penalties

### Enforcement Penalties across regulators

<table>
<thead>
<tr>
<th>Year</th>
<th>US SEC (In million US $)</th>
<th>SFC (In million HK $)</th>
<th>FCA (In million £)</th>
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<tr>
<td>FY 2010</td>
<td>2850</td>
<td>25.4</td>
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<td>FY 2011</td>
<td>2806</td>
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<td>FY 2013</td>
<td>3400</td>
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<td>FY 2014</td>
<td>4160</td>
<td>62.8</td>
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### Rabobank Is Fined, CEO Is Out in Libor Settlement

Piet Moerland Becomes One of Highest-Profile Casualties of Alleged Rate-Rigging

By DAVID ENRICH and JENNY STRASBURG

Updated Oct. 29, 2013 4:42 p.m. ET

Dutch lender Rabobank agreed to pay $1.07 billion to settle accusations that it skewed key financial benchmarks and its chief executive resigned, the latest casualty of a global interest-rate-rigging scandal.

Rabobank’s settlement with U.S., British, Dutch and Japanese authorities brings to five the number of large financial companies that have admitted trying to manipulate the London interbank offered rate, or Libor, and other benchmarks that underpin interest rates around the world.

### Lloyds not off hook yet after $370 million Libor fines

Mon, Jul 28 2014

By Matt Scullham and Huw Jones

LONDON (Reuters) - Lloyds Banking Group could face further punishment after agreeing to pay fines totalling $370 million (217.80 million pounds) for its part in a global interest rate rigging scandal and for attempting to manipulate fees for a government lending scheme to help banks.

The settlement is the seventh joint penalty handed out by American and British regulators in connection with the attempted manipulation of the London interbank offered rate, or Libor, and other similar benchmarks used to price around $450 trillion of financial products worldwide.

But it is the first penalty for attempting to fix so-called "repo" rates to reduce fees for a taxpayer-backed scheme set up by the Bank of England to support British banks during the 2008 financial crisis.
Enhanced Enforcement - Focus on individuals

- **SFC**: 26 criminal charges pressed by the SFC against individuals in 2014.
- **SEC**: 59% of the enforcement actions brought by the SEC were against individuals in 2014.
- **CFTC**: 45% of enforcement actions brought by the CFTC in 2014 were against individuals.
- **FINRA**: FINRA banned the highest number of individuals from the securities industry in 2014 than any other year in the past five years.
- **FCA**: Only 29% of the cases that the FCA brought were against individuals.
Enhanced Enforcement - SEBI - Investigations

No. of cases taken up  No. of cases completed

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<td>71</td>
<td>104</td>
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<td>82</td>
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## Increased focus on implementation Monitoring

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<td><strong>No. of Assessments</strong></td>
<td>2014 – 14</td>
<td>Total – 9 TRs; 14 CRs, Progress reports and IMN</td>
<td>8 Progress reports on Basel (twice a year); Jurisdiction assessments (2-4/year)</td>
<td>7 TRs (3 TRs/year)</td>
<td>1 CR</td>
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<td>2013 – 17</td>
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<td>2012 – 23</td>
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New Cross-Border Concerns

- Primacy of global standards vs. regional standards (EMIR vs. PFMI)
- Primacy of home regulator vs. foreign regulator
- Regulatory over-reach - Multiplicity of regulators
- Greater need for global regulatory co-ordination
- Unintended consequences of global reforms (AEs vs. EMDEs)
Challenges

- Managing Global shocks.
- Market turmoil and volatility.
- Newer challenges posed due to technological advancements.
- Unauthorized CIS / Ponzi Schemes.
- Low Capital raising.
- Ensuring wider penetration of Mutual Funds across the country.
- Expanding financial literacy and investor awareness.
- Deepening Corporate Bonds Market.
- Further strengthening the surveillance and enforcement capabilities.
Thank You