



Securities and Exchange Board of India

***Post crisis International Financial Regulation:  
Where have we reached ?***

**Securities Market perspective**



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# 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**

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- 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)

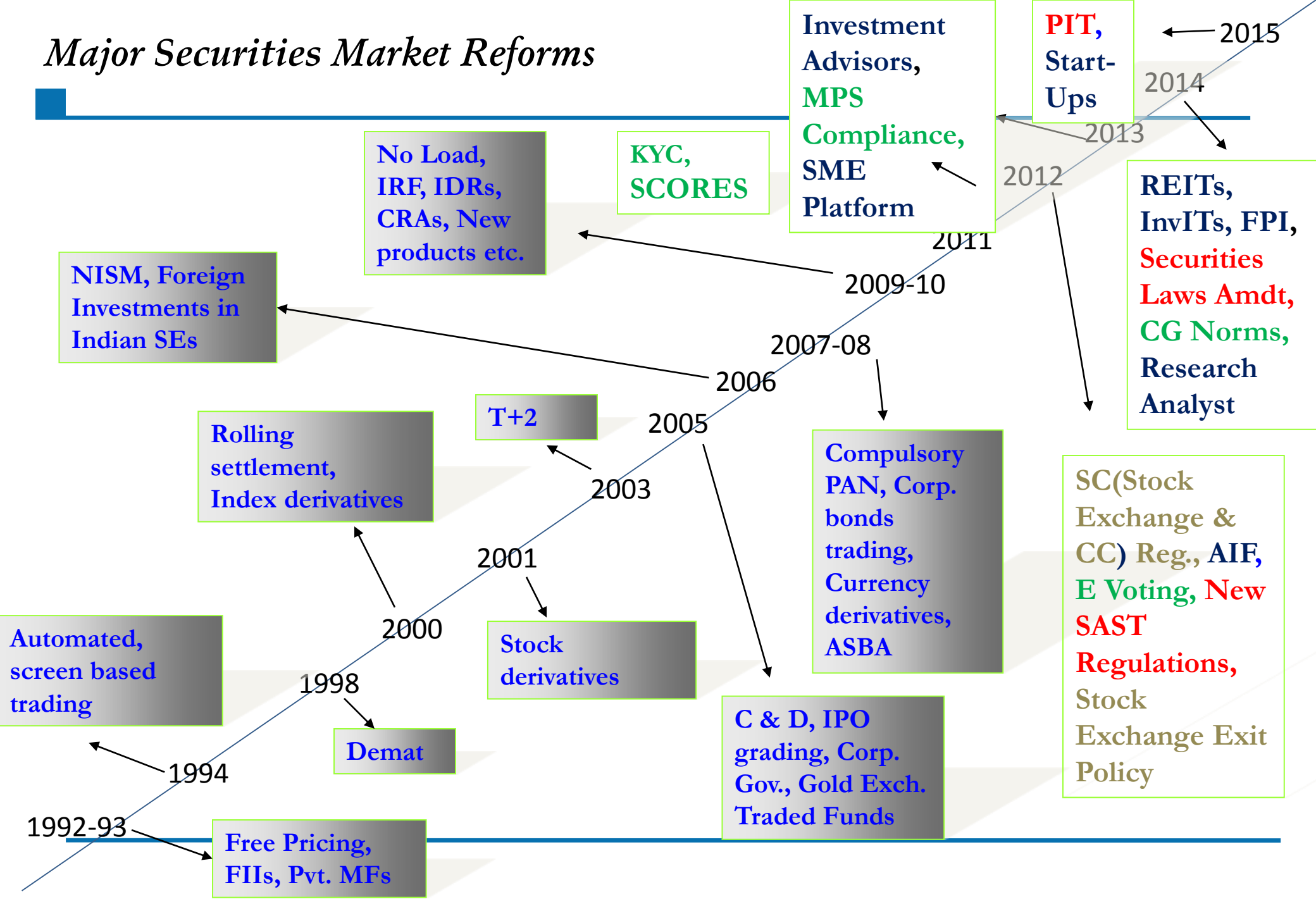
- CRAs regulated since 1999, further strengthened
- Amendments to various regulations from time to time
- Auditors (CG norms, Companies Act, ICAI, QARC)
- OTC Derivatives on Securities not allowed (SCRA)
- FMI reforms on track

# POST GFC- SEBI Organizational Initiatives

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- 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
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# Major Securities Market Reforms



# Post GFC Trends

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Enhanced  
Enforcement

Implementation  
Monitoring

Cross Border  
Concerns

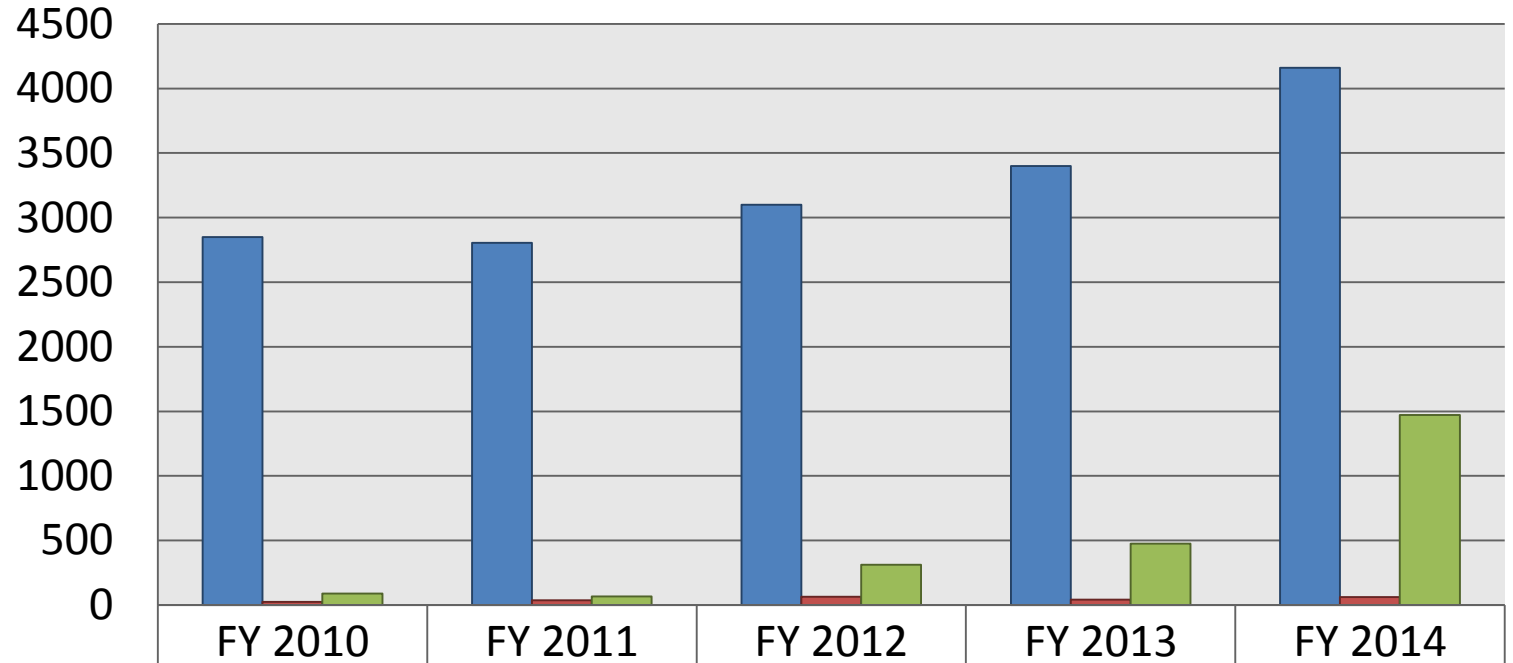
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# Increase in penalties

(1/5)

## Enforcement Penalties across regulators



■ US SEC ( In million US \$)	2850	2806	3100	3400	4160
■ SFC ( In million HK \$)	25.4	38	63.5	40.7	62.8
■ FCA ( In million £ )	89.18	66.14	311.57	474.26	1471.43

# Enhanced Enforcement - Increase in Penalties - 2013-14 (2 / 5)



## Libor fines

Deutsche Bank was fined a record \$2.5 billion for its role in a scam to manipulate the London Interbank Offered Rate (Libor)

	Fines	Regulators						
		FCA	DOJ	CFTC	NYDFS	EC	FINMA	DPP
Deutsche Bank (2013, '15)	\$3.5 bln	✓	✓	✓	✓	✓		
UBS (2012)	1.5	✓	✓	✓				✓
RBS (2013)	1.1	✓	✓	✓		✓		
Rabobank (2013)	1.0	✓	✓	✓				✓
Societe Generale (2013)	0.603					✓		
Barclays (2012)	0.453	✓	✓	✓				
Lloyds* (2014)	0.370	✓	✓	✓				
JPMorgan (2013)	0.108							✓
ICAP (2013, 2015)	0.104	✓		✓		✓		
Citigroup (2013)	0.095							✓
RP Martin (2013, 2014)	0.003	✓		✓		✓		

FCA: Financial Conduct Authority, DOJ: U.S. Department of Justice, CFTC: U.S. Commodity Futures Trading Commission, NYDFS: New York State Department of Financial Services, EC: European Commission, FINMA: Swiss Financial Market Supervisory Authority, DPP: Dutch Public Prosecutor.

Source: Reuters \*Part of the Lloyds' fine related to attempted manipulation so-called "repo" rates

## 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

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

Mon, Jul 28 2014

By Matt Scuffham and Huw Jones

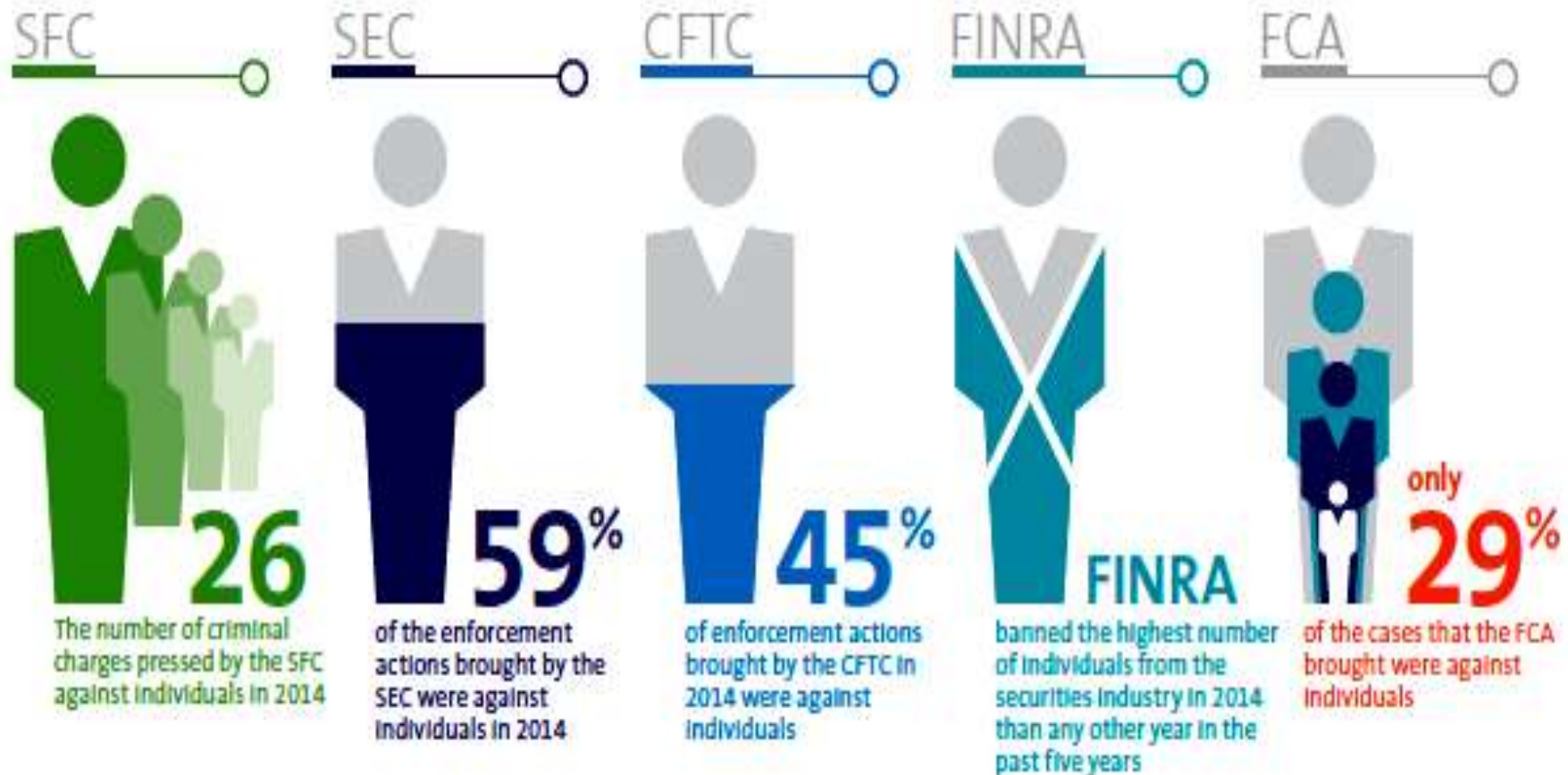
LONDON (Reuters) - Lloyds Banking Group could face further punishment after agreeing to pay fines totalling \$370 million (217.80 million pounds) for its part in a global interest rate rigging scandal and for attempting to manipulate fees for a government lending scheme to help banks.

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.

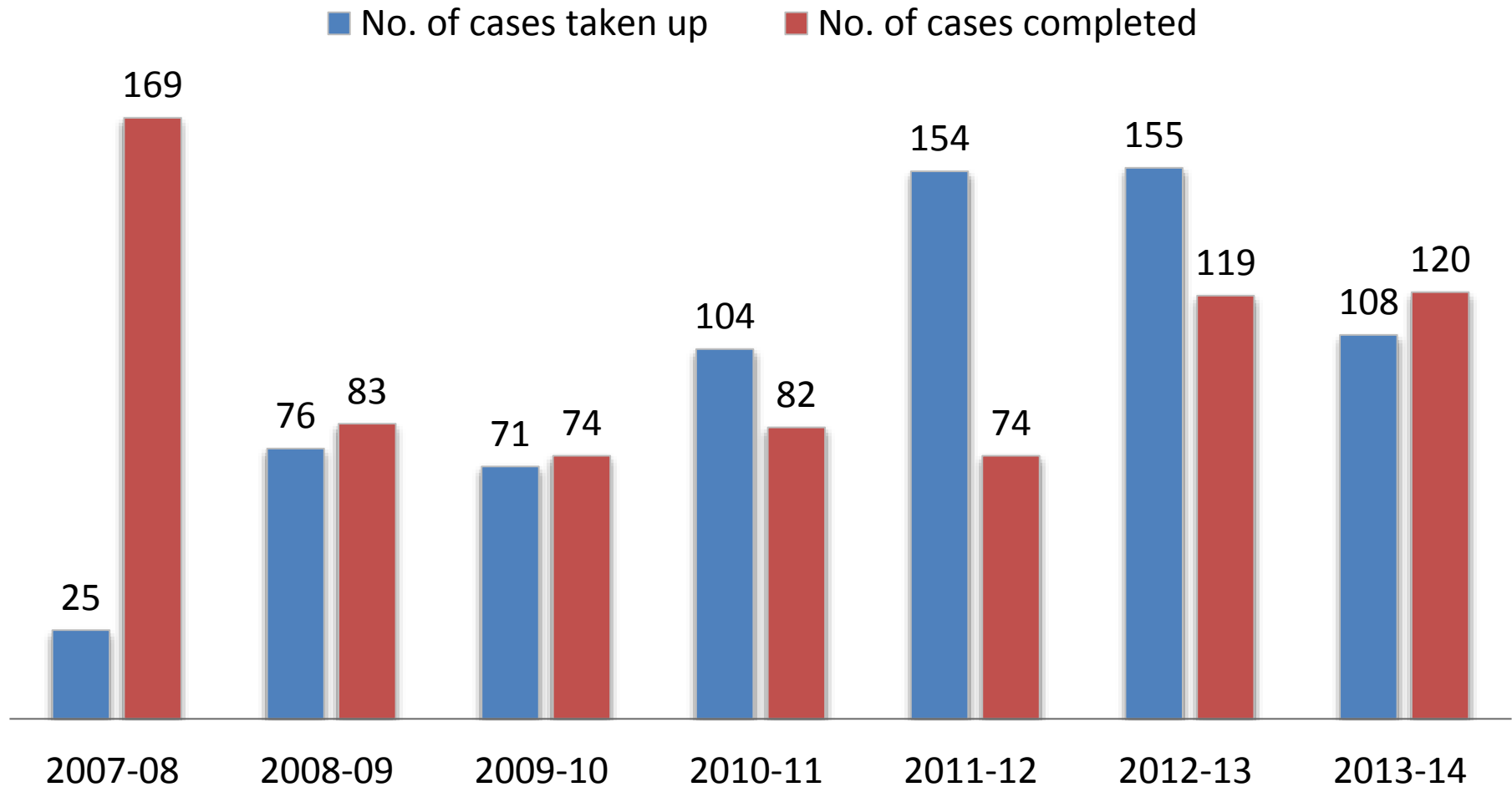


# Enhanced Enforcement - Focus on individuals (3 / 5)



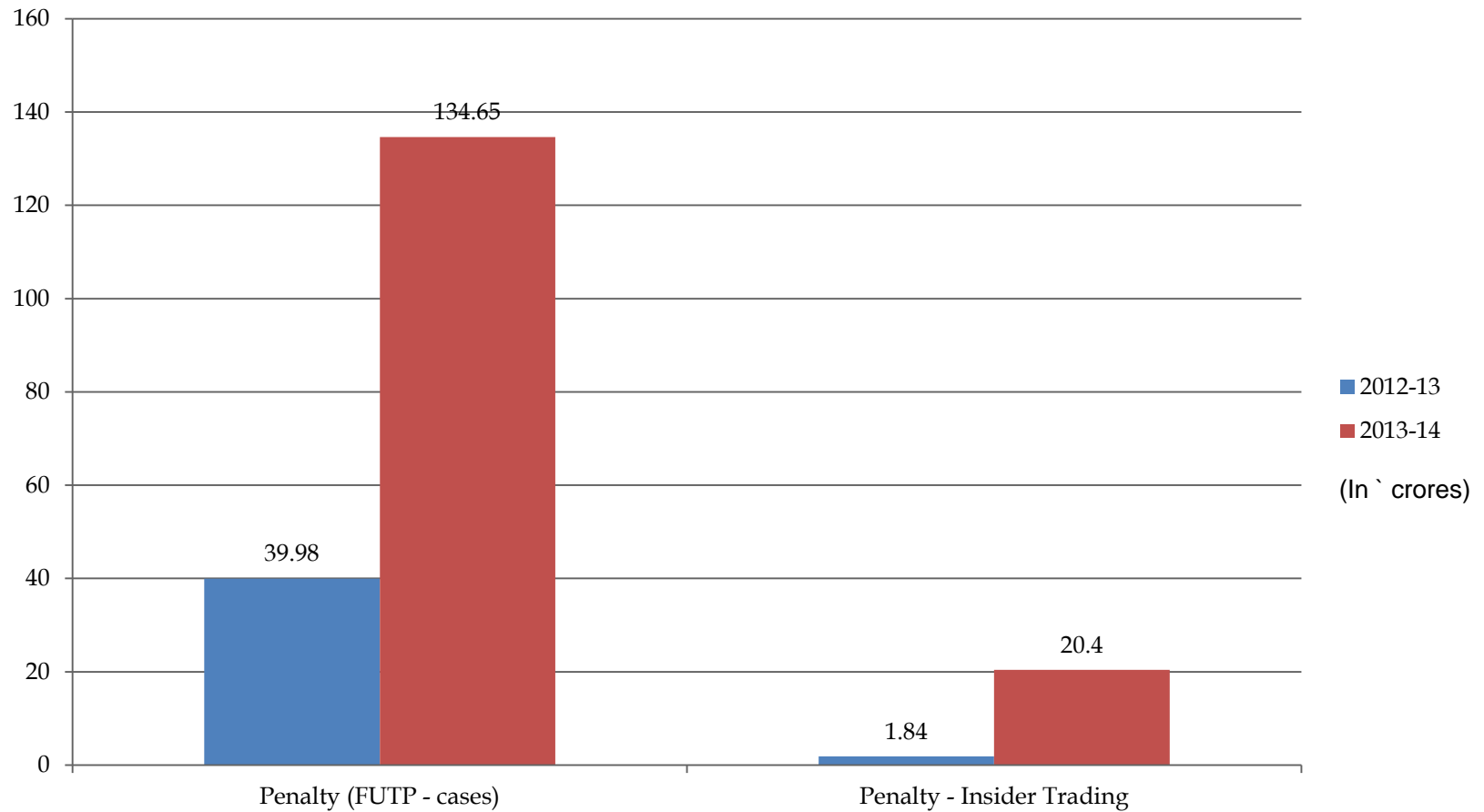
# Enhanced Enforcement - SEBI - Investigations

(4 / 5)



# Enhanced Enforcement - SEBI - Increase in penalties

(5 / 5)



# Increased focus on implementation Monitoring

	IMF	FSB	BCBS	IOSCO	IAIS
<b>Thematic Reviews</b>	-	✓	✓	✓	✓
<b>Country Reviews</b>	✓	✓	✓	✓	-
<b>Progress Reports</b>	-	✓	✓	-	-
<b>Monitoring Surveys</b>	-	✓	-	-	-
<b>No. of Assessments</b>	2014 - 14 2013 - 17 2012 - 23	Total - 9 TRs; 14 CRs, Progress reports and IMN	8 Progress reports on Basel (twice a year); Jurisdiction assessments (2-4/year)	7 TRs (3 TRs/year) 1 CR	1-2 assessments/year

# New Cross-Border Concerns

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- 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)
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## Challenges

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





Thank You

