

MEMO# 22376

March 26, 2008

SEC Announces Steps for Mutual Recognition Plan

[22376]

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TO: SEC RULES MEMBERS No. 28-08
EQUITY MARKETS ADVISORY COMMITTEE No. 13-08 RE: SEC ANNOUNCES STEPS FOR
MUTUAL RECOGNITION PLAN

On March 24, the Securities and Exchange Commission announced a series of steps it intends to take to further implementation of the concept of mutual recognition for regulatory regimes in other countries.* SEC Chairman Cox explained the impetus behind the announcement by stating that, "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."

Specifically, the Commission stated that it contemplates exploring initial agreements with one or more "high-quality," foreign regulatory counterparts, which would be based on a comparability assessment by the SEC and by the foreign authority of one another's regulatory regimes. The Commission also stated that it is considering adopting a formal process for engaging other national regulators on the subject of mutual recognition. In addition, the Commission would develop a framework for mutual recognition discussions with jurisdictions comprising multiple securities regulators tied together by a common legal framework, including Canada and the European Union. The Commission concluded its list of potential actions by stating that it would propose reforms to Rule 15a-6 under the Securities Exchange Act of 1934 to improve the process by which U.S. investors have access to foreign broker-dealers.

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