

CAPACITY BUILDING TASK FORCE

“Market Surveillance”



Chair: Capital Markets Board of Turkey

Co-Chair: Central Bank of Lebanon

1. Part

- General framework

2. Part

- Market surveillance

3. Part

- Disclosure

4. Part

- Investment firms surveillance

5. Part

- Collective Investment Schemes

6. Part

- Financial reporting/audit/rating surveillance

7. Part

- Next steps for capacity building



Overview

Capacity Building Task Force (TF) aims to

strengthen COMCEC Forum members' national capacities in terms of

- Human resources,
- Infrastructure, technology
- Certifications for market participants

TF should detect most favored/needed areas for technical assistance through training programs.

With this vision, TF has drafted a Questionnaire.

Questionnaire focuses on the tasks attached to the regulator for

- supervision of stock trading,
- supervising a sound functioning capital market and surveillance with respect to disclosure requirements, investment firms surveillance, collective investment schemes and financial reporting/audit/rating surveillance



General Framework

➤ Regulation and Supervision Authority :

✓ *In all respondent countries there is separate securities regulator for supervision of capital markets.*

➤ Cooperation with Other Jurisdictions:

✓ *All respondent authorities' jurisdiction give permission to cooperate with other jurisdictions.*

✓ *IOSCO Multilateral Memorandum of Understanding (MMoU) is one of the information exchange channel used by Maldives, Malaysia, United Arab Emirates, Pakistan and Turkey. Also there are other information bilateral or multilateral information sharing arrangements covering Arab and African countries.*



Market Surveillance Survey Questionnaire

Member Authorities Responded to the Questionnaire:

- i.** Cameroon National Council Of Credit/ Banque Des Etats De L'afrique Centrale
- ii.** Islamic Republic of Iran Securities and Exchange Organization
- iii.** Kuwait Capital Markets Authority
- iv.** Maldives Capital Market Development Authority
- v.** Malaysia, Securities Commission on Malaysia
- vi.** Securities and Exchange Commission of Pakistan
- vii.** Central Bank of Sudan
- viii.** Capital Markets Board of Turkey
- ix.** Securities and Commodities Authority of United Arab Emirates

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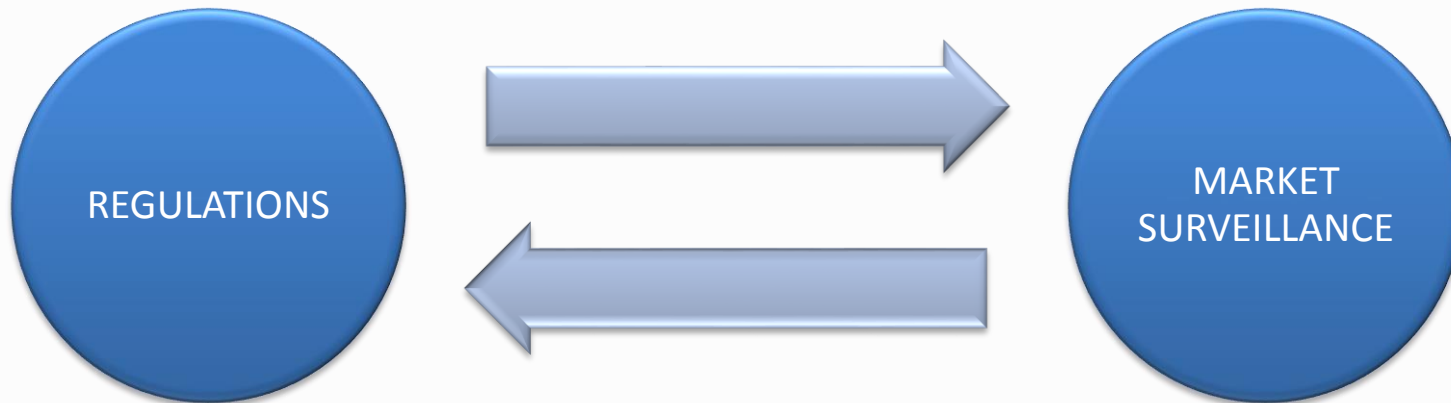
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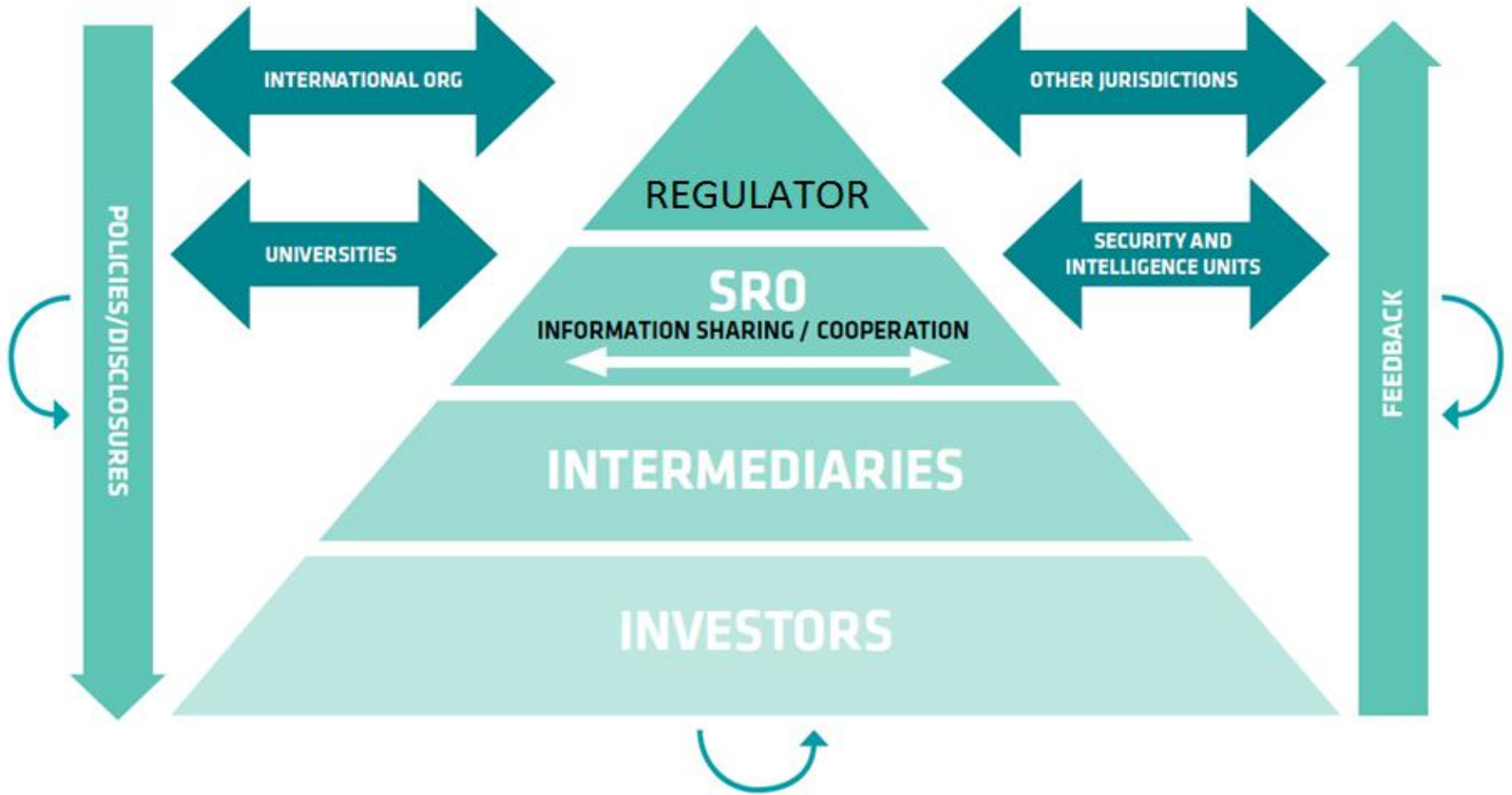
Market Surveillance Function:

- Protection of Investors,
- Ensuring the Markets Are Fair, Efficient and Transparent,
- Reduction of Systemic Risk.



- Monitoring Trading Venue, Collecting and analyzing information either on a real-time or historical basis.
- Detecting and taking action with respect market abuse or suspicious activities.

Surveillance System



SRO: Self Regulatory Organisations



Market Surveillance

	Responsibility		Cooperation				Surveillance Program
	Regulator	Exchange	Notification	Report	Evaluation	Education	
Cameroon	✓	*	✓	✓	✓	-	Inhouse
Iran	✓	✓	-	-	-	-	Inhouse
Kuwait	✓	✓	✓	✓	✓	✓	Smarts
Malaysia	✓	✓	✓	✓	✓	✓	Smarts
Maldives	✓	✓	✓	✓	✓	-	Inhouse
Pakistan	✓	✓	✓	✓	-	-	Inhouse
Sudan	✓	-	✓	-	✓	✓	Outsourced
Turkey	✓	✓	✓	✓	✓	✓	Inhouse
U. Arab Emirates	✓	-	-	-	-	-	Smarts

*In Sudan government and regional regulators has surveillance responsibilities.



Market Surveillance

To sum up:

➤ **Surveillance Authority :**

- ✓ The main responsibility of market surveillance is with the regulators, however six countries' exchanges have their own market surveillance systems.

➤ **Cooperation with Surveillance Units:**

- ✓ Seven countries' surveillance units share notifications about abnormal price movements and detailed reports about surveillance results.
- ✓ Four countries' surveillance units carry out education programs and workshops together.



Sanctions

	Manipulation (Transaction Based)			Manipulation (Information Based)			Insider Trading		
	Prison	Monetary	Administrative	Prison	Monetary	Administrative	Prison	Monetary	Administrative
Cameroon	✓	-	-	-	-	✓	-	-	-
Iran	-	✓	✓	✓	✓	✓	-	✓	✓
Kuwait	✓	✓	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓	✓	✓	✓	✓	✓	✓	✓	✓
Maldives	✓	✓	-	-	-	-	✓	-	✓
Pakistan	✓	✓	-	✓	✓	-	-	✓	✓
Sudan	-	✓	✓	-	✓	✓	✓	✓	✓
Turkey	✓	✓	-	✓	✓	-	✓	✓	-
U. Arab Emirates	✓	✓	✓	✓	✓	✓	✓	✓	✓



Sanctions

	Market Abuse			Illegal Account Use		
	Prison	Monetary	Administrative	Prison	Monetary	Administrative
Cameroon	-	-	-	-	-	✓
Iran	-	✓	✓	-	✓	✓
Kuwait	✓	✓	✓	-	-	-
Malaysia	-	-	-	-	✓	✓
Maldives	-	-	-	-	-	-
Pakistan	-	-	✓	✓	-	✓
Sudan	-	-		✓	✓	✓
Turkey	-	-	✓			✓
U. Arab Emirates	✓	✓	✓	✓	✓	✓



Regulators' & Exchanges' Power

	Regulators	Exchanges
Surveillance of Price movements focusing on unusual activity	8	7
Regular Monitoring of investors activities	7	6
Investigating Insider Trading	7	6
Monitoring execution of trades by insiders	7	5
Applying sanctions and Fines	8	5
Suspending trading of financial instruments	5	4
Trade bans for investors	6	2



Surveillance Systems Capabilities

	Yes	No
Access to real time exchange data	8	1
Access to end of day exchange data	9	-
Access to depository data	5	4
Identify investors with unique numbers	8	1
Produce reports for:		
-Price increasing orders	9	-
-Order cancellation	7	2
-Wash sales	6	3
-Short sales	5	4
Reports for suspicious investor transactions:		
-End of day	7	2
-Real time	7	2
Reports for abnormal price movements:		
-End of day	8	1
-Real time	7	2



Precautions

	Short Selling Restrictions	Margin Trading Restrictions	Borrowing and Lending Restrictions	Collateral Obligation	Market Differentiations	Position Limit	Market Data Restrictions
Cameroon	-	-	-	-	-	✓	-
Iran	✓	-	✓	-	-	-	-
Kuwait	✓	✓	✓	✓	✓	✓	✓
Malaysia	✓	-	✓	✓	-	✓	✓ -
Maldives	-	-	-	-	-	-	-
Pakistan	✓	✓	✓	✓	✓	✓	✓
Sudan	-	-	✓	✓	✓	-	✓
Turkey	✓	✓	✓	✓	✓	✓	✓
United Arab Emirates	✓	-	✓	✓	-	-	-

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Disclosure

Method of Disclosure Mandated for Listed Companies

	Newspaper + Journal	Website Exchange	Website Listed Company	Special Platform
Cameroon	✓	✓	✓	
Iran				✓
Kuwait		✓	✓	
Malaysia		✓		
Maldives			✓	
Pakistan	✓			
Sudan				
Turkey				✓
United Arab Emirates	✓	✓	✓	



Disclosure

- **Is disclosure supervision made by a separate section of the regulator?**
- **7 out of 9 member authorities have replied as «YES»**
- **Are financial statements of listed companies reviewed by regulator in addition to review made by the independent auditors?**
- **7 out of 9 member authorities have replied as «YES»**

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Investment Firms Surveillance

	Off-site Supervision (remote) by the Regulator	Early Warning System For the Systemic Risk Management of Investment Firms
Cameroon	-	-
Iran	-	-
Kuwait	✓	-
Malaysia	✓	✓
Maldives	N/A	N/A
Pakistan	✓	-
Sudan	✓	✓
Turkey	✓	-
United Arab Emirates	-	-

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Collective Investment Schemes

- Which of the following Collective Investment Undertakings exist in your market?
- Which methods for disclosure are employed by collective investment schemes?

-Cameroon has securities investment company and real estate investment trust, paper based disclosure to the regulator is available.

-Iran has securities investment company, real estate investment trust and portfolio management companies, paper based, electronic disclosure and a special platform is available.

-Kuwait only venture capital investment trust is missing other forms exist, only paper based disclosure to the regulator is available.

-Maldives is in the process of developing a regulatory framework for introducing Collective Investment Schemes.

-Malaysia has real estate investment trust, real estate, venture capital, Exchange traded funds, business trusts & venture capital companies, paper based, electronic disclosure and a special platform is available.



Collective Investment Schemes

-Pakistan has securities investment company and real estate investment trust and portfolio management companies. Paper based, electronic disclosure to the regulator is available.

-Sudan has securities investment company and real estate investment trust, paper based disclosure to the regulator is available.

-Turkey securities investment company and real estate investment trust and portfolio management companies, venture capital investment company and exchange traded funds, electronic disclosure, and a special platform is available.

-UAE has only mutual funds only paper based disclosure to the regulator is available.

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Financial Reporting Standards

	IFRS	National GAAP	Revision By Authority
Cameroon	✓	✓	-
Iran	-	✓	✓
Kuwait	✓	-	✓
Malaysia	✓	-	✓
Maldives	✓	-	-
Pakistan	✓	-	✓
Sudan		✓ (AAOIFI)	✓
Turkey	✓	-	-
United Arab Emirates	✓	-	✓

IFRS: International Financial Reporting Standards

GAAP: Generally Accepted Accounting Principles

AAOIFI: Accounting and Auditing Organization for Islamic Financial Institutions



Independent Audit

	Independent Audit	Audit Period	Audit Standarts	Authorization	Audit Firms
Cameroon	-	-	-	-	-
Iran	✓	Annual- Semiannual	National	✓	110
Kuwait	✓	Quarterly	International	✓	29
Malaysia	✓	Annual	International	✓	59
Maldives	✓	Annual	International	-	-
Pakistan	✓	Annual	International	✓	462
Sudan	✓	Annual	National- AAOIFI	✓	+100
Turkey	✓	Annual- Semiannual	National	✓	92
United Arab Emirates	✓	Annual- Semiannual	International	✓	N/A



Rating Agencies

	Mandatory Rating	Rating Standarts	Authorization	Rating Agencies
Cameroon	-	-	-	-
Iran	-	-	-	-
Kuwait	-	-	-	-
Malaysia	✓	International	✓	2
Maldives	-	-	-	-
Pakistan	✓	ACRAA*	✓	2/1
Sudan	-	-	-	-
Turkey	✓	National	✓	4/6
United Arab Emirates	-	-	-	-

*ACRAA: Association of Credit Rating Agencies in Asia

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Next Steps for Capacity Building

- Categories for enhancing the abilities/skills of Regulators (to allow them to achieve measurable and sustainable results for further cooperation)



Next steps for capacity building

	Recommendation	Countries
A	Creating COMCEC Expert Group on Capacity Building that is composed of Experts with an aim to support the capability of human resources to draft and enforce market rules and regulations for COMCEC capital market regulators.	Iran, Kuwait, U.A.Emirates, Turkey
B	Through Memorandum of Agreement/Understanding	Iran, Sudan, U.A.Emirates
C	Work program including research, workshops and study tours about selected issues on human resources	Cameroon, Iran, Malaysia, Maldives, Pakistan, U.A.Emirates, Turkey
D	Country specific issues	Sudan, U.A.Emirates



Next steps for capacity building

	Recommendation	Countries
A.	Developing a conceptual framework	Iran, Malaysia, U.A.Emirates, Turkey
B.	Establishing an organizational attitude	Iran, Malaysia, Sudan, U.A.Emirates
C.	Developing a vision and strategy	Cameroon, Iran, Malaysia, Pakistan, Sudan, U.A.Emirates, Turkey
D.	Developing an organizational structure	Iran, Malaysia, Sudan, U.A.Emirates
E.	Acquiring skills and resources	Iran, Malaysia, Pakistan, Sudan, U.A.Emirates, Turkey



Capacity Building Task Force

Thank you...

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Capital Markets Board of Turkey