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Editors' Note: Brexit, Butterflies and the International Organization of Securities Commissions (IOSCO)

by

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and
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The 10th anniversary of the great financial crisis of 2008 has been characterised by a sense of complacency and self congratulation. The crisis is a distant memory. The regulatory agenda driven by the G20 has been implemented and has provided results: no significant area of finance has been left unregulated. At the same time, the international financial architecture has been deeply reformed with an upgraded Financial Stability Board (FSB) and an extended Basel Committee on Banking Supervision. Finally, an unprecedented level of central banks monetary stimulus has pushed financial markets to regular record highs with a swiss-clock predictability.

This sense of calm, which may be deceptive, has led to a lack of thinking about whether the global financial architecture is apt to address the future challenges rather than just those of the past. Generals should not prepare the last war but the next. Indeed, 12 years after the global financial crisis of 2008 new risks, such as increased market fragmentation and breakdowns in established relationships (ie Brexit) have emerged.

One key international player has been left relatively untouched after the 2008 crisis: the International Organization of Securities Commissions (IOSCO). This is not surprising, since there is a strong perception – right or wrong – that the 2008 crisis was a banking crisis much more than a financial markets crisis. Since then, however, new risks have emerged mostly in financial markets.

One of the issues is how equivalence and deference among jurisdictions can lead to more integrated cross border activities while maintaining financial stability. Brexit provided the spark to an issue which has been slowly growing in importance. Since Brexit, the issue of equivalence and recognition has become

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crucial in Europe. The United Kingdom is subject to an equivalence assessment in order to be able to access the single financial market. The European Union seems to be reluctant to easily grant equivalence to the United Kingdom, and even uses equivalence as a political bargaining tool. The debate on how to assess equivalence, should it be bilateral and/or multilateral, and what could be the role of IOSCO and under which legal regime, has so far been discussed behind closed doors among supervisors.

This is why, on 5 October 2018, a conference took place in Luxembourg on "The International Organization of Securities Commissions (IOSCO) and the new international financial architecture: what role for IOSCO in the development and implementation of cross-border regulation and equivalence?". The conference was co-organised by Professor Pierre-Henri Conac (University of Luxembourg) and Professor Hélène Ruiz Fabri (Director of the Max Planck Institute Luxembourg) with the support of the Luxembourg *Fonds National de la Recherche* and the Luxembourg Chamber of Commerce. Speakers and panellists came from academia, financial industry, supervisory authorities (United States, Europe) and included the current and the previous IOSCO General Secretary. The conference intended to be the first on the role of IOSCO in the new financial architecture and how it could contribute to the assessment of equivalence. According to its current General Secretary, Paul Andrews, it was the first international academic conference to discuss the role and future of IOSCO.

The articles published in this issue of the European Company and Financial Law Review provide deep analysis and ambitious proposals to improve the situation, up to the creation of a World Finance Organisation to replace IOSCO. 18 months after the conference, it is a great satisfaction to see that some proposals, which were then made, have been implemented. It also shows that Brexit, reinforcing pre-existing trends, has accelerated history and made more pressing the need for a reform of the global financial architecture. Maybe the Butterfly effect exists in international financial regulation and will benefit IOSCO?