

The Joint Forum has also drafted a set of supervisory principles, including techniques to assess the potential impact of the group-wide capital structure on the regulated firms.

IOSCO and its members have undertaken a number of practical measures to strengthen their cooperation, including coordinated inspections, investigations, and reviews of major, internationally active financial groups.

Regulators from twenty jurisdictions responsible for the supervision of the world's leading derivative markets and over sixty derivatives exchanges reached an agreement intended to improve information sharing on large exposures of internationally active derivatives firms.

We welcome the progress by these groups and, going forward, we:

- Encourage the Joint Forum to reach agreement on principles for enhanced cooperation, both for ongoing supervision and for emergencies;
- Encourage the Basle Committee, IOSCO, and the IAIS, to develop further their work in these areas, and national supervisors to apply the cooperative arrangements identified by the Joint Forum in its report to Finance Ministers, in order to draw lessons and refine the concrete features of such arrangements;
- Agree to support necessary changes in laws or regulations that facilitate and improve information exchanges for supervisory purposes between national regulatory authorities, while preserving the confidentiality of information.
- Recognize the importance of changing laws and regulations, where necessary, to facilitate onsite inspection arrangements for branches. In addition, the home country supervisor should have the right to obtain information about foreign branches and subsidiaries of the financial institutions under its supervisory jurisdiction. Barriers to onsite inspections should be minimized.

G-7 Finance Ministries are undertaking an assessment of impediments to information sharing identified by the Basle Committee, IOSCO, the IAIS and the Joint Forum.

Encouraging Stronger Risk Management and Improved Transparency in Markets

A stable financial system depends on sound financial institutions, whose operations are transparent to supervisors and to the market. As financial institutions engage in increasingly complex and global transactions, it is critical that they have in place effective systems to measure, monitor, and control risks, as well as sufficient capital to provide for such risks. Public disclosure can also enhance the role of market discipline by improving the information available to market participants. Insolvency or liquidity problems of major globally active financial groups can seriously affect the payment and settlement systems, and mechanisms to permit firms to reduce the net value of their exposures to counter parties may lessen the vulnerability of the system to such events.