

International Affairs

The SEC operates in a global marketplace. The international affairs staff promotes investor protection by encouraging the adoption of high regulatory standards worldwide, encouraging international regulatory and enforcement cooperation, including through information sharing arrangements, and conducting technical assistance programs.

What We Did

- Promoted global initiatives to develop high quality disclosure and transparency.
 - Participated in initiatives that promote international financial stability, with particular focus on highly leveraged institutions, non-cooperative jurisdictions, and implementation of high quality international standards.
 - Provided enforcement assistance so that the SEC and foreign authorities can continue to combat cross border fraud.
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Transparency and Disclosure

International Disclosure Standards

Issuers wishing to access capital markets in more than one country may have to comply with requirements that differ in many respects, including accounting principles to be used in the preparation of financial statements.

In 1999, the SEC amended its non-financial disclosure statement requirements for offerings by foreign issuers to conform to international disclosure standards adopted by the International Organization of Securities Commissions (IOSCO—the predominant forum for collaboration in the international securities regulatory community). Adoption of these standards is designed to allow issuers to prepare a single disclosure document that can serve as an “international passport” to accessing capital markets. The SEC believes use of these IOSCO standards provides investors with a comparable amount and quality of information as normally provided under U.S. standards.

International Accounting Standards

The SEC chairs IOSCO’s working party on multinational disclosure and accounting. The SEC and IOSCO have been assessing a set of completed standards prepared by the International Accounting Standards Committee (IASC) to determine whether they should be endorsed for cross-border listings and offerings of securities.

In addition, the IASC, which will set and administer the standards, is restructuring. Consistent with the approach in the U.S., membership in the restructured IASC will be determined by technical competence and dedication to the public interest.

International Monetary Fund Code

The IMF developed a Code of Good Practices on Transparency in Monetary and Financial Policies. The code identifies best practices in transparency to be used by central banks and financial agencies in setting policy. SEC staff consulted with the IMF on the development of the code and submitted a comprehensive survey response that is being used by others as a model.

Corporate Governance

Organization of Economic Cooperation and Development (OECD)

The SEC provided technical advice in the development of the OECD's corporate governance guidelines. The guidelines address the role of corporate governance in:

- protecting the rights of shareholders;
- ensuring the equitable treatment of all shareholders;
- recognizing the role of stakeholders established by law;
- providing for the timely and accurate disclosure of all material matters regarding the corporation; and
- defining the responsibilities of the board of directors and ensuring the board's accountability to the company and shareholders.

Council of Securities Regulators of the America (COSRA)

COSRA is a regional organization whose membership includes the SEC as well as securities regulators from 25 nations in North, Central and South America, and the Caribbean. In 1999, COSRA's key initiatives included a project on the implementation of the OECD's corporate governance guidelines. The SEC, as well as other COSRA members, prepared survey responses detailing corporate governance practices in their jurisdictions.

Highly Leveraged Institutions

International Organization of Securities Commissions

Highly leveraged institutions (HLIs) have come under review due to their impact on financial stability. IOSCO identified two primary concerns stemming from the operation of HLIs: systemic risk, where failure of one or more firms can spread to endanger the larger financial system; and market instability, where the actions of one or more firms may destabilize markets. The SEC provided input to IOSCO's study of HLIs, which recommended improved risk management and increased transparency for HLIs' activities.

Financial Stability Forum Working Group on Highly Leveraged Institutions

The FSF is made up of finance ministries, central banks, securities regulators, and international financial institutions such as the World Bank. The FSF reviewed the recommendations of other groups relating to HLI activities, including those of IOSCO and the Basel Committee on Banking Supervision, to identify common ground and unresolved issues. The FSF expects to make further recommendations on improving risk management practices

and enhancing disclosure and transparency in connection with HLI activities, which is consistent with the approach taken in the U.S. by the President's Working Group on Financial Markets in its report on *Hedge Funds, Leverage and the Users of Long-Term Capital Management*.

Non-cooperative Jurisdictions

Financial Stability Forum Offshore Financial Center Working Group

The FSF identified that offshore jurisdictions with weak regulatory systems and a poor ability to cooperate can pose a threat to international financial stability. The FSF established a working group to assess offshore financial centers' compliance with international standards and recommend incentives to improve compliance.

Financial Action Task Force Work on Non-cooperative Jurisdictions

Because of the particular problems posed by non-cooperative jurisdictions (NCJs) in the fight against money laundering, the Financial Action Task Force (FATF) is assessing their compliance with relevant international standards. The FATF is an international body whose purpose is the development and promotion of anti-money laundering policies. The SEC staff advises the U.S. Department of Treasury, the U.S. representative to FATF, with regard to seeking assistance from NCJs.

Implementing International Standards

International Organization of Securities Commission's Core Principles

In 1998, IOSCO adopted the "Objectives and Principles of Securities Regulation" (the Core Principles), which represent consensus on sound practices for regulating securities markets. To promote international implementation of the Core Principles, the SEC and other IOSCO members are assessing their own compliance with the Core Principles, as well as cooperating with international financial institutions on the use of the Core Principles in their reform and restructuring work.

Financial Stability Forum Implementation Task Force

The FSF initiated a task force to explore issues related to promoting the implementation of international standards relevant to strengthening financial systems. The task force will consider an implementation strategy, including identifying a compendium of standards and ways to enhance compliance, such as incentives and technical assistance.

Enforcement Cooperation

The SEC needs assistance from foreign authorities to protect U.S. investors from cross-border fraud. We have entered into over 30 formal information-sharing arrangements with foreign counterparts.

1999 Enforcement Cooperation Results

Requests to Foreign Authorities for Enforcement Assistance	336 (23% increase from 1998)
Requests for Enforcement Assistance from Foreign Authorities	550 (30% increase from 1998)

The following cases illustrate the effectiveness and importance of the SEC's international enforcement program.

SEC v. Goran Heden, et al. Based on information provided by Swedish authorities, the SEC was able to identify the Swedish purchasers and the tipper in connection with this insider trading case. The purchasers traded on information about a Swedish company's takeover of a U.S. company. After the U.S. court issued an asset freeze and ruled that the SEC would likely succeed on the merits at trial, all the Swedish defendants agreed to settle, disgorging \$172,736 in trading profits and paying \$115,835 in civil penalties. The action against the U.S. tipper is still pending.

SEC v. Futures Strategies Srl. The SEC obtained a U.S. federal district court order and preliminary injunction against Future Strategies, an Italian entity, for allegedly promoting over the Internet a fraudulent pyramid scheme. Futures Strategies obtained investments from more than 400 investors throughout the U.S. from its website.

SEC v. Barlow, et al. The SEC traced funds in this prime bank case to accounts held at a bank in Switzerland. The SEC obtained an emergency order from U.S. federal district court to freeze defendants' accounts, and with the assistance of the Swiss authorities, was able to freeze approximately \$1.7 million held by defendants at a Swiss bank.

In the Matter of Cronos Group. The SEC was alerted to this financial fraud case upon the resignation of the defendant's auditors following the filing of a Section 10A report with the SEC. With information obtained from authorities in the United Kingdom, Switzerland and Austria, the SEC brought an action alleging that the defendant had violated the antifraud, reporting and recordkeeping provisions of the U.S. federal securities laws. The defendant agreed to settle the SEC's charges.

SEC v. Princeton Economics International Ltd., et al. The SEC obtained a preliminary injunction against Martin A. Armstrong, Princeton Economics International, Ltd. and Princeton Global Management, Ltd., for the alleged fraudulent sale of billions of dollars of promissory notes to Japanese investors, in violation of federal securities laws. In selling the notes, the defendants made misrepresentations to investors about the segregation and use of the proceeds from the notes' sales. In fact, it appears that investor funds were commingled with those of the defendants and that millions of dollars were lost through undisclosed risky trading.

Technical Assistance

The SEC's technical assistance program helps emerging securities markets develop regulatory structures that promote investor confidence. The program is multifaceted and includes training, reviewing foreign securities laws, and responding to detailed requests for assistance.

1999 Technical Assistance Results

Requests for Technical Assistance from Foreign Authorities	244 (13% increase from 1998)
U.S. Training Provided	345 Officials from 94 Countries
Overseas Training Provided	Over 530 Officials

The cornerstone of the SEC's technical assistance program is the International Institute for Securities Market Development, a two-week management level training program covering the development and oversight of securities markets. In addition, the SEC conducts a weeklong International Institute for Securities Enforcement and Market Oversight.

Our staff participated in a range of training initiatives including a capital markets program for regulators from nine Latin American countries, and corporate governance and clearance and settlement programs in Moscow.