

SEC could trial global pact on listings

By Jeremy Grant in London

The Securities and Exchange Commission is considering launching a "pilot programme" with selected foreign regulators that would for the first time allow the US markets watchdog to rely on the mutual recognition of listing standards.

The move is the first sign that the US is determined to act to head off a regulatory "race to the bottom" as companies take advantage of emerging "lighter touch" jurisdictions round the world.

It is also a sign of the speed

with which the world's leading regulators are developing closer ties as they are forced to redraw the regulatory landscape in the wake of cross-border exchange mergers.

It comes in the wake of the merger of the New York Stock Exchange and Euronext and as Atlanta-based Intercontinental Exchange has proposed merging with the Chicago Board of Trade to create the first transatlantic futures exchange.

Roel Campos, one of five commissioners at the SEC, said that, under the proposed arrangement, foreign initial public offerings

could be marketed and sold in the US without SEC approval if approved by a regulator abroad with "equivalent" rules.

The plan would incorporate an existing idea being examined under which exchanges and brokers outside the US would be able to service US investors directly without having to submit to SEC regulation.

"The thinking on this is that we want to bring jurisdictions converged at the highest level possible," Mr Campos told the Financial Times.

"We want to eliminate duality in regulation, where possible,

and create less friction in raising capital across the world and promote cross-border transactions. We think all of this is a large step in that direction."

He declined to name any countries that the SEC was considering for such a pilot.

However, a top contender is understood to be Canada. It already operates a system of "mutual recognition" between its financial regulator and the SEC which allows Canadian companies to apply to list on US exchanges based on Canada's regulatory standards.

Yesterday, Jim Flaherty, Cana-

dian finance minister, said as he outlined his annual budget: "We must pursue free trade in securities so Canadian can more easily buy foreign securities and so foreign investors can more easily invest in Canada."

However, mutual recognition - or "substituted compliance", as some SEC staff call it - could present problems. No-one has suggested which country would adjudicate in cases of disputes between jurisdictions.

Mr Campos said there had been "no specific discussions" with any regulators about how such a pilot would work.