

#### INTERNET APPENDIX: *MMoU* TIMELINE

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IOSCO's Committee 4 is a subcommittee comprising global representatives from IOSCO members. Its full name is the Committee on Enforcement and the Exchange of Information and the Multilateral Memorandum of Understanding Screening Group, but it is known as SG/C4. When a regulator submits its application to the *MMoU*, the application is closely examined by a specially constituted verification team (VT). The VT is usually a geographically diverse, nine-member group that, for efficiency, includes members who are familiar with the applicant. The process either starts a formal application or a consultation with the SG regarding any special circumstances in terms of a regulator's eligibility. A hypothetical timeline based on actual applicants is provided below.

**January 1, 2010:** Mounting global political pressure to combat terrorist financing and money laundering stirs a regulator (which I will call the "FMA") to pursue the *MMoU*. This pressure can come from parliaments (or other legislative authorities), presidential cabinet members, IOSCO itself (in 2005, IOSCO gave its members 5 years to sign the *MMoU* or risk losing their voting rights), the IMF, World Bank, FSB, or other regulatory peers.

**March 1, 2010:** After evaluating its own qualifications pursuant to the *MMoU*, the FMA, in conjunction with its local government, proposes new legislation to revise its legal framework for cooperation in securities supervision. This draft legislation is intended to address shortcomings arising from bank secrecy laws, blocking statutes, and procedural issues. For market participants, this is an early signal that the FMA is preparing to sign the *MMoU*.

**April 1, 2010:** The FMA files its application to become a signatory of the *MMoU*. As part of the application, the FMA submits a completed questionnaire, including descriptions of the legislative proposals.

**April 15, 2010:** The application is forwarded to the VT members for review.

**July 1, 2010:** Based on the FMA's answers to the *MMoU* questionnaire, an initial evaluation is made. A report is drafted with a recommendation to accept (or require revisions or further information). The report is delivered to the SG for consideration at the next semi-annual SG meeting.

**August 1, 2010:** The draft law proposed on March 1, 2010, is passed and enters into force on January 1, 2011.

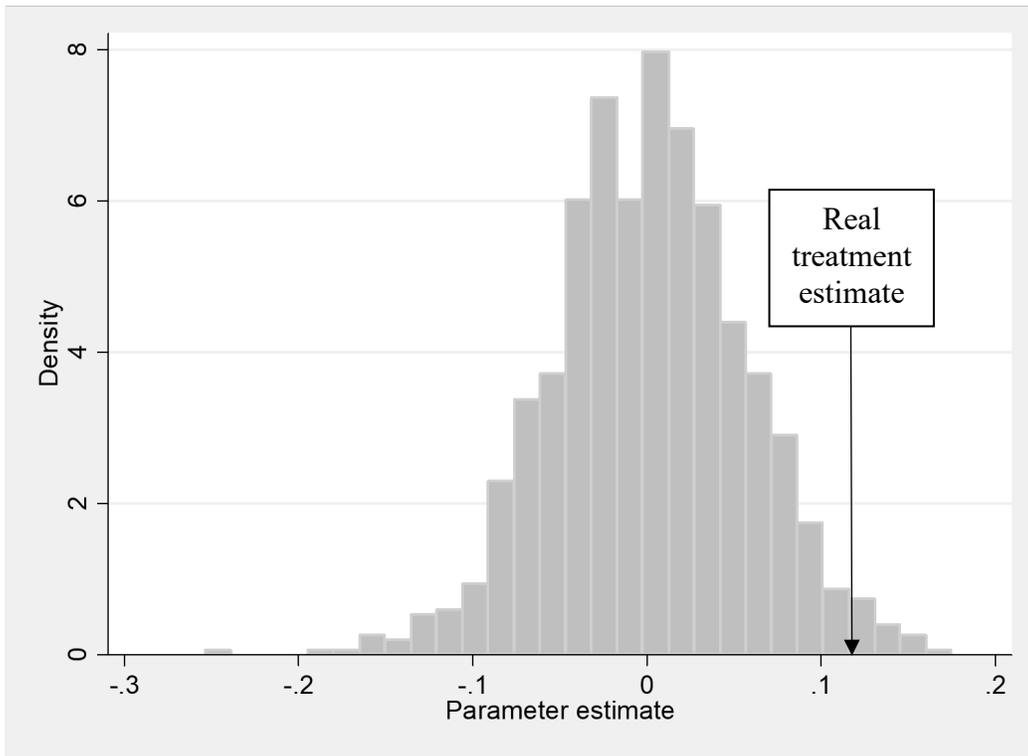
**November 1, 2010:** At the SG meeting, representatives of the FMA are invited to attend a discussion of the FMA's eligibility. The SG could reach a consensus that the applicant meets all of the criteria and thus proceed to the next step, or it could require additional legislative changes or solicit more information, in which case the application could be reconsidered at the next semi-annual meeting (six months later).

**October 15, 2010:** If additional changes are required, additional iterations of the step described on March 1 can take place.

**January 1, 2011:** The new laws enter into force on January 1, 2011.

**February 15, 2011:** The *MMoU* is signed (unless signing is delayed until the IOSCO Annual Meeting in April).

INTERNET APPENDIX FIGURE 1. DISTRIBUTION OF ESTIMATES FROM PSEUDO-TREATMENT



This histogram shows the distribution of the pseudo-treatment coefficients (as described in section 3.5).