Annual Report 2020

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

OICV-IOSCO

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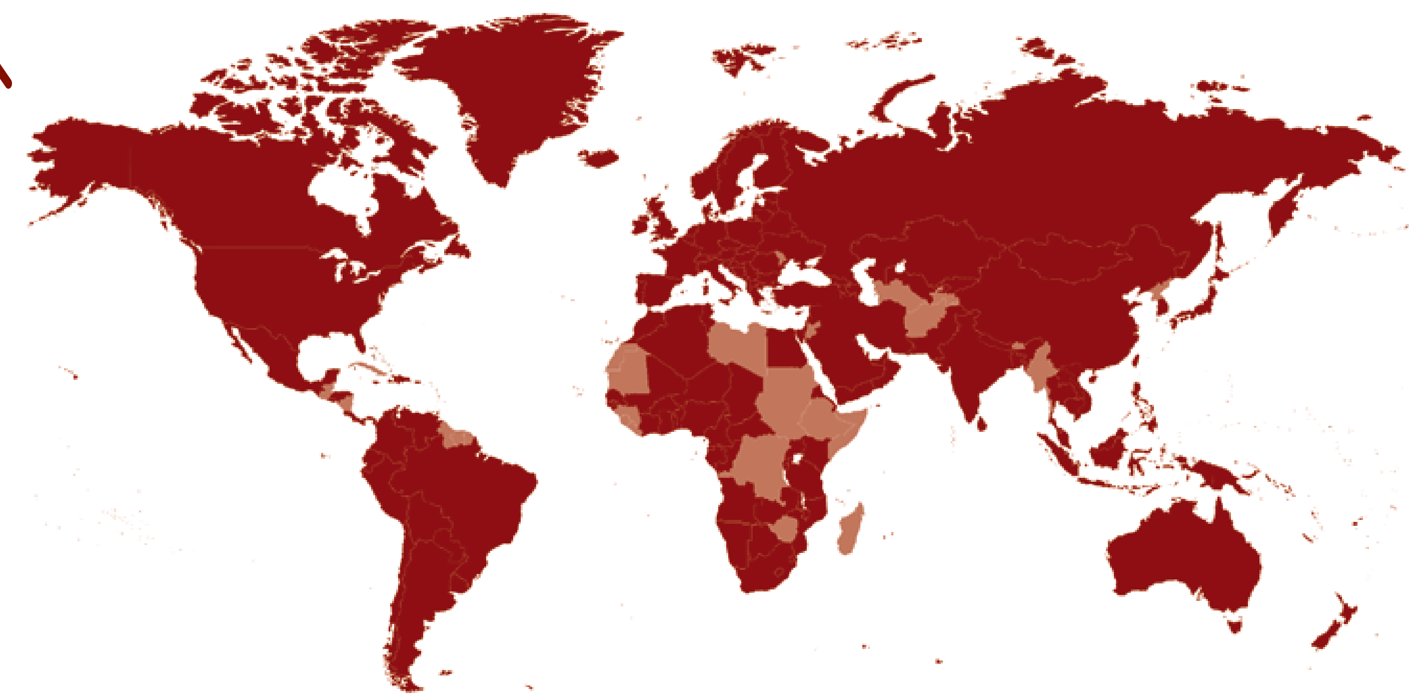
IOSCO OBJECTIVES

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets and to mitigate systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in the supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

IOSCO MEMBERSHIP



IOSCO MEMBERSHIP

NON-MEMBER JURISDICTIONS

Note: The following two organizations are ordinary members:

1. The **West African Monetary Union (WAMU)**, which comprises Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo.
2. The **Commission de Surveillance du Marché Financier de l'Afrique Centrale (COSUMAF)**, which comprises Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea, and Chad.

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Report from the Chair of the IOSCO Board

Mr. Ashley Alder
> Chair of the IOSCO Board
> Chief Executive Officer of the Hong Kong Securities and Futures Commission

IOSCO work and priorities

Despite restrictive travel and work arrangements and some necessary rescheduling of deliverables brought about by the outbreak of COVID-19, we have achieved remarkable progress on all major work streams over the past year.

In 2020, IOSCO's agenda was dominated by the response to COVID-19 induced market stresses. In 2021 and possibly beyond, the response to the risks arising from and highlighted by COVID-19 will continue to be a key pillar of IOSCO's agenda.

Starting from this year, the IOSCO Board has agreed to change its work prioritization cycle from one-year to two-year periods, with a corresponding shift to a two-year work program. The prioritization process continues to be based on a comprehensive Risk Outlook led by the Committee on Emerging Risks (drawing on detailed input from all policy committees, Regional Committees and the Growth and Emerging Markets Committee) and ending with a public work program, the second of which was published in February this year. The Risk Outlook is shared with all ordinary, associate and affiliate members.

The 2021-2022 work program includes two new priorities, namely: (i) Financial stability and systemic risks of non-bank financial intermediation activities (NBFI), mainly led by the IOSCO Financial Stability Engagement Group (FSEG); and (ii) Risks exacerbated by the COVID-19 pandemic, including misconduct risks, fraud, and operational resilience. Work under the second new priority will be led by the IOSCO Retail Market Conduct Task Force, while IOSCO's Committees on Secondary Markets and Market Intermediaries (Committees 2 and 3) will initiate joint work on operational risks.

Sustainable Finance

We are making rapid progress on an increasingly urgent priority - sustainability and green finance. This is underscored by the tremendous amount of activity taking place in our Board-level Sustainable Finance Task Force (STF), across all three of its workstreams. Getting consistent and comparable climate information from corporates at the real economy level is an essential building block for much of the sustainable and green finance agenda. The importance of this is underpinned by IOSCO's commitment to work closely with the IFRS Foundation on a proposal to set up an International Sustainability Standards Board similar to the International Accounting Standards Board. We need to ensure the new board provides a solid system architecture for a comprehensive and global sustainability disclosure standard suitable for IOSCO's endorsement. This is reminiscent of IOSCO's role 20 years ago in promulgating the IFRS financial reporting standards across international financial markets. It could set us on a credible path to globally consistent mandatory climate reporting, as a first step, followed by reporting across the sustainability agenda.

Another important goal is to promote greater transparency and consistency in definitions and practices among ESG ratings and data providers. Together with the effort around corporate disclosures, we expect this work to lead to better quality inputs into investment decision making and combat greenwashing.

We are also working on enhancing investment and risk management practices within the investment management sector. There is an increase in awareness of material non-financial risks to investment portfolios, but due to the rapid pace of change around climate issues in particular, there is a greater need for discipline by asset managers to incorporate the impact of these

changes in their investment process, and to disclose their practices to their investors.

Through the work of the STF, IOSCO will play a central role in addressing the need for urgent and globally coordinated action that is required to address the financial risks from climate change, as well as in other sustainability initiatives.

Digitalization

Rapid developments in digitalization and financial innovation will continue to impact financial markets. We are examining the regulatory issues and risks arising from priority areas such as crypto assets (including stablecoins), artificial intelligence and machine learning (AIML), as well as digitalization of retail distribution.

In 2020, IOSCO's Fintech Network examined issues arising from global stablecoins and published its main findings in March 2020. Insights from the findings were fed into the broader international discussions on stablecoins, including the FSB's high-level recommendations on the regulation of stablecoins. In 2021, IOSCO will continue to contribute to the global regulatory discussion and will review its own principles and standards against the FSB's recommendations.

In addition, CPMI-IOSCO are considering the applicability of the PFMI to stablecoin arrangements. This work has established that the PFMI does apply to stablecoins although some areas may need additional clarification.

A consultation report on outsourcing to third-party providers, which is a joint project of the policy committees on Regulation of Secondary Markets, Regulation of Market Intermediaries, Credit Rating Agencies and Derivatives (Committees 2, 3, 6, and 7) will be published later this year. The report will include a set of revised IOSCO principles on outsourcing.

IOSCO will also be issuing final reports on the use of AIML by market intermediaries and asset managers and in online marketing and retail distribution later this year.

Financial Stability Board (FSB)

Having achieved a major, positive recalibration of the way in which IOSCO interacts with the FSB, particularly during the COVID-19 crisis, IOSCO is now a vital and important partner in a range of key financial stability-related FSB workstreams focusing on NBFI activities. These include policy options for money market funds, open-ended funds, margining practices, credit rating

agencies and a project to examine bond market liquidity against the background of the market stress in 2020. Much of this effort is led by the FSEG which plays an increasingly vital role as a Board-level group working hand-in-hand with the FSB on cross-cutting financial stability projects which straddle NBFI and banking activities.

IOSCO Board and other organizational matters

Over the past year, the IOSCO Board held frequent virtual meetings and conference calls to discuss key issues and specific priorities that require coordinated action at a global level, as set out in the most recent IOSCO work program.

Paul Andrews stepped down as Secretary General in February this year. Recruitment of a new Secretary General began in early 2021. I wish to thank Paul for his valuable contributions to IOSCO.

Annual Meeting

Due to travel restrictions and lockdowns as a result of COVID-19, the Annual Meeting was held virtually in November 2020. The Annual Meeting, including the Presidents' Committee meeting, continued to be a highly interactive event. All members were able to engage directly with Board members and policy committee Chairs on key aspects of IOSCO projects.

Serving the IOSCO membership

IOSCO has continued to provide members with capacity building activities including the Global Certificate Program and the training hosted by the IOSCO Asia Pacific Hub and various Regional Committees. The fourth World Investor Week led by Committee 8 was held in October and November 2020. More than 100 jurisdictions participated in the event which focused on smart investing and the risks associated with online investment and digital assets.

I would like to thank Board members, committee Chairs and members, the Secretariat and my own team at the SFC for their support in helping to take forward IOSCO's core objectives of protecting investors, maintaining fair, efficient, and transparent markets and addressing systemic risks.

Report from the Chair of the Growth and Emerging Markets (GEM) Committee

Dr. Mohammed Omran
> Vice Chair of the IOSCO Board
> Chair of the Growth and Emerging Markets Committee
> Executive Chairman of the Financial Regulatory Authority, Egypt,

It is with great pleasure that I present this year's Growth and Emerging Markets Committee (GEMC) Report.

The year 2020 marks the start of one of the most challenging periods in recent history. The world suffered an unprecedented health crisis that disrupted all aspects of our daily lives, from economic, educational and financial activities to social and cultural life. Without a doubt, growth and emerging market economies have been impacted from the fallout of the COVID-19 pandemic, adding to the challenges that GEM jurisdictions have long faced.

As the virus spread, governments around the world quickly locked down their economies to control its transmission. What started as a disruption to global trade quickly morphed into a demand-side shock that crushed global aggregate demand. The drop in consumer spending and the increasing number of shuttered businesses sent macro-economic shocks through financial markets as investors questioned the future health of business revenues and re-priced the risk of company solvency. Consequently, rapid and large-scale devaluations ensued, their impact sweeping through equity markets.

To support the flow of credit and market liquidity in general, central banks announced various programs to provide liquidity in certain markets. These announcements helped restore investor confidence and encouraged market trading. IOSCO members, including those from GEM jurisdictions, introduced measures to ensure that capital markets continued to function effectively and sustain the real economy.

Despite the ongoing pandemic, the GEMC has embraced a gradual and achievable approach to meeting its objectives regarding capital markets development and fintech innovation, among other things, while assisting emerging markets in addressing the impact of the COVID-19 pandemic and providing follow up analysis of the outcomes.

Development of Emerging Capital Markets: Opportunities, Challenges and Solutions

The GEMC was invited to contribute to the 2020 work program of the International Financial Architecture Working Group (IFA WG), which was endorsed by the G20 Finance and Central Bank Deputies in December 2019. The work program focused on developing domestic capital markets to support growth and enhance financial resilience.

The *Development of Emerging Capital Markets: Opportunities, Challenges and Solutions* report, published on 30 October 2020, was well received by the G20. The publication encapsulates the GEMC´s extensive work on different aspects of

market development, including corporate governance, corporate bond markets and market liquidity, the main challenges faced by Emerging Markets (EMs) in implementing international standards and the role of capacity building, the preliminary impact of COVID-19 on EMs focusing on capital outflows and the operational resilience of these markets during the pandemic.

Recognizing there is no *one size fits all* approach to capital markets development, the report outlined five key recommendations to assist EM's in deepening their capital markets:

> **Recommendation 1:** Policymakers and regulators should develop a holistic strategy for the development of capital markets.
> **Recommendation 2:** Regulators should seek to ensure that capital markets are fair and efficient for capital raising. Increasing institutional investor participation, providing diversified investment choices and ensuring market confidence should be high priorities on their agenda.
> **Recommendation 3:** Securities regulators should have adequate powers, proper resources, and the capacity to perform their functions and exercise their powers.

> **Recommendation 4:** Jurisdictions should establish strong national and international cooperation arrangements to develop capital markets with the key involvement of the securities regulator.

> **Recommendation 5:** Regulators and market participants should develop and implement efficient roadmaps for investor education and guidance.

Fintech in Emerging Markets

In 2020, the GEMC agreed to produce a report on Fintech in Growth and Emerging Markets: the use of facilitators(innovation hubs, regulatory sandboxes and accelerators). The report aims at understanding the regulatory and supervisory approaches or responses to development related to innovation facilitators in GEM jurisdictions, the issues and challenges for EMs regarding the implementation/execution and monitoring of these facilitators and the role of the public and private sector in Fintech. In this respect, the GEMC established a Fintech Working Group (FINWG) to work on this project and produce a final report that encompasses a list of recommendations and guidance on how to address financial innovations from a regulatory and supervisory perspective.

Impact of COVID-19 on emerging markets

The GEM Steering Committee conducted an analysis of the impact of COVID-19 on EMs with a particular focus on the massive capital outflows experienced in March-April 2020 and the operational resilience of capital markets during the first half of that year. The note produced under the leadership of Comissão de Valores Mobiliários, Brazil, and the Securities and Commodities Authority, United Arab Emirates, informed the Financial Stability Board on how COVID-19 has affected EMs. This work raised various issues, such as how to solidify the foreign investor base in GEM jurisdictions and improve hedging opportunities, encourage local investor participation and differentiate emerging markets as an asset class.

Based on this initial analysis, the GEMC is planning to conduct a thematic analysis to gain further insight into the characteristics of EMs as an asset class, including both similarities and differences among them, and understand better the methodology used to construct EMs indices. This thematic analysis would also consider, and seek to understand in greater detail, the broader ecosystem that impacts the asset class, such as the presence of foreign institutional investors and their incentives for investing in emerging markets, changes in local demographics and possible measures to encourage more retail investor participation in these markets. This project will be conducted in 2021, with a final report expected in 2022.

GEMC Virtual Meeting

Given the global health crisis, most meetings worldwide were virtual in 2020. The GEMC held a virtual meeting on 16 November 2020 as part of IOSCO´s Virtual Annual Meeting. During its reunion, the GEMC highlighted its work and achievements, and members shared information on market development and their regulatory updates covering high-tech and technology, cross-border investments, information sharing and collaboration and other activities such as robo-advising.

Conclusion

The pandemic has presented growth and emerging markets with new and different challenges, a situation that is likely to persist for some time. This unprecedented situation calls for support, cooperation and information sharing among GEMC members to maintain sound and effective capital markets worldwide.

I am grateful to GEMC members for electing me as their Chair, and I look forward to collaborating with them to continue the work of my predecessor, Dr. Obaid Al Zaabi of the Securities and Commodities Authority, United Arab Emirates. The achievements of the GEMC in 2020 would not have been possible without the contribution and unwavering support of GEM members, the committee´s two Vice Chairs and the IOSCO General Secretariat. In this regard, I would like to express my deepest appreciation to them for their dedication and hard work in accomplishing the GEMC initiatives. I am particularly grateful to Raluca Tircoci-Craciun and the GEM team of the General Secretariat for coordinating our work throughout the year.

I am confident that together, we can address the tremendous challenges that lie ahead and benefit from the opportunities for improvement as they arise.

Report from the Chair of the Affiliate Members Consultative Committee (AMCC)

Ms Karen Wuertz
> Chair of the Affiliate Members Consultative Committee
> Senior Vice President, External Affairs and Communications, National Futures Association

The world continues to face the critical health and economic impacts associated with the COVID-19 pandemic. During this period of anxiety, uncertainty, volatility and risk, the need for effective and efficient regulation has never been greater. Despite this turbulent time, Affiliate Members Consultative Committee (AMCC) continued its important work ensuring markets remained resilient and vibrant while demanding high integrity standards of market participants.

The value of AMCC's long reach

To appreciate the AMCC's important consultative role within IOSCO's framework, it is important to highlight the breadth, depth and diversity of the committee. The AMCC is comprised of over 65 IOSCO affiliate members representing self-regulatory organizations (SROs), exchanges, market infrastructures, investor protection and compensation funds, associations of regulated entities, as well as other bodies with interest in securities and derivatives regulation. AMCC Members' priorities are completely aligned with IOSCO's objectives to enhance investor protection; maintain fair, efficient and transparent markets; and address systemic risk.

Amid the extraordinary circumstances caused by the pandemic, the AMCC pushed forward and delivered valuable front-line regulatory expertise and market insights to support IOSCO's priorities and ongoing policy and standard setting work. This report highlights the AMCC's many contributions during the past year addressing several IOSCO priorities, including emerging risks, capacity building, investor protection, bond market liquidity and sustainable finance.

Answering the call: AMCC Market Fragmentation Report

In December 2020, the *AMCC delivered its inaugural AMCC Annual Report on Market Fragmentation* in response to a request from the IOSCO Task Force on Cross-Border Regulation Follow-Up Group (FUG). This request is detailed in IOSCO's June 2019 report titled, *Market Fragmentation and Cross-Border Regulations.* A newly established AMCC working group prepared the annual report highlighting examples where AMCC Members identified cases of harmful fragmentation with a cross-border element. The report covered topics such as data, margin, clearing, sustainable finance, crypto-assets and delegation arrangements. The purpose of this annual report is to keep IOSCO's Board well informed on the issues of harmful fragmentation and ensure this important topic remains a regular item on IOSCO's agenda.

Significant Contributions

Emerging Risks: With a focus on the pandemic and its related risks, the AMCC met virtually with the Committee on Emerging Risks (CER) to share experiences and discuss how COVID-19 impacted their organizations and the markets. In doing so, AMCC Members offered important insight for consideration in the development of IOSCO's 2021 Annual Risk Outlook. AMCC Members

submitted issues notes on emerging regulatory issues, risks, trends and vulnerabilities, including those related to Covid-19 and post-pandemic challenges, and other issues, such as sustainable finance and LIBOR transition.

Capacity Building: The AMCC provides an annual Regulatory Staff Training Seminar (AMCC Seminar) featuring panels, case studies and presentations regarding IOSCO objectives and principles. This training program shares AMCC Members' expertise with the entire IOSCO Membership. For the first time in 13 years, the AMCC Seminar was held virtually and enjoyed record participation from nearly 300 participants representing more than 100 organizations.

The 2020 AMCC Training Seminar was delivered by 13 speakers that addressed how the markets responded to the impact of COVID-19. The program's agenda featured the following topics: *Fraud During the Pandemic: The Regulatory Response; Enforcement; Emerging Markets: Regulatory Levers to Restart and Rebuild amid a Lingering Pandemic;* and *Remote Supervision: Potential Risks and Lessons Learned.* Each topic addressed elements and best practices of an effective regulatory program, offered case studies and practical applications, and provided insight into timely industry developments.

Investor Protection: Nearly half of the AMCC Membership participated in the fourth annual IOSCO World Investor Week (WIW) to promote investor education and protection. Events ranged from webinars, panel discussions, social media campaigns, virtual opening or closing bell ringing ceremonies, among others, all supporting IOSCO's investor protection priority. This initiative is an excellent example of exchanges, market infrastructures and many other AMCC Members working together with regulators to promote a critical IOSCO priority.

Bond Market Liquidity: The events of March-April 2020 gave new impetus to stakeholder concerns around bond market resilience, particularly in times of stress, as highlighted by the 2020 Financial Stability Board's (FSB) *Holistic Review of the March Market Turmoil*. Leveraging its broad and diverse membership, a group of AMCC Members are complementing work ongoing at IOSCO regarding corporate bond market microstructure and liquidity provision.

Sustainable Finance: This and its importance to our financial markets continues to be a focus for IOSCO and is an important topic for many AMCC Members. The AMCC's annual meeting agenda addressed this topic and AMCC Vice Chair Nandini Sukumar is leading a group of AMCC Members that will provide industry insights and feedback to IOSCO's Sustainable Finance Task Force.

Looking Ahead

COVID-19 will have long-term implications for IOSCO members. Therefore, the AMCC is proactively exploring effective, efficient and innovative ways to fulfill its objectives in a post-pandemic world. Whatever challenges lie ahead, the AMCC commits to fulfilling its important consultative role within IOSCO's framework and contributing to IOSCO's objectives of enhancing investor protection, maintaining fair, efficient and transparent markets and addressing systemic risk.

As we pass through the one-year anniversary of remote working, virtual meetings and no in-person conferences, the importance and value of our IOSCO relationships cannot be under-estimated. I look forward to the time when IOSCO members can once again meet in-person and will never take the importance of our times together for granted.

Thank You

In closing, I want to express my gratitude to all AMCC members for making IOSCO a priority and committing valuable resources and time to provide meaningful input to IOSCO's work. I would also like to thank the General Secretariat staff and the AMCC Vice Chair for their expertise, support and coordination. Lastly, the AMCC wishes to express their appreciation to former Secretary General Paul Andrews for his contributions and dedication to AMCC meetings and initiatives. We look forward to working closely with his successor.

Activities of IOSCO's Policy Committees in the Year

The IOSCO Board reviews the regulatory issues facing international securities markets and coordinates practical policy responses to address the concerns they raise. Eight policy committees conduct substantive IOSCO work under the guidance of the Board and supported by the General Secretariat:

- Issuer Accounting, Audit and Disclosure;
- Regulation of Secondary Markets;
- Regulation of Market Intermediaries;
- Enforcement and Exchange of Information;
- Investment Management;
- Credit Rating Agencies;
- Derivatives; and
- Retail Investors.

In addition, the Growth and Emerging Markets Committee (GEMC) seeks to develop and improve the efficiency of emerging securities markets through the development of standards, recommendations, best practices and guidance, the provision of training programs for members' regulatory staff and by facilitating the exchange of information, technology and expertise.

In addition to the policy committees, several task forces and working groups examined relevant developments in the financial markets in 2020. These task forces and groups included:

- Board-level Task Force on Financial Benchmarks
- Follow-up Group to the 2015 Cross-Border Regulation Task Force (FUG)
- Board-Level Financial Stability Engagement Group (FSEG)
- Board Level Retail Market Conduct Task Force
- Sustainable Finance Task Force

IOSCO also maintained the following information-sharing networks for members in 2020:

- Fintech Network
- The ICO Consultation Network and Support Framework
- Sustainable Finance Network

Policy Committees

Committee 1 on Issuer Accounting, Audit and Disclosure

Committee Chair:
Mr. Makoto Sonoda (FSA Japan)
Committee Vice Chair:
Mr. Nigel James (US SEC)

Committee 1 on Issuer Accounting, Audit and Disclosure (C1) is devoted to delivering IOSCO´s investor protection mandate by improving the development and maintenance of high-quality international accounting and auditing standards, enhancing financial reporting and audit quality and improving the quality and transparency of the disclosure and financial information that investors receive from listed companies.

To facilitate investor access to reliable and timely information, Committee 1 develops international disclosure standards and principles that provide a framework for member jurisdictions seeking to establish or review their disclosure regimes for entities that issue securities.

In the field of accounting, Committee 1 also monitors the projects undertaken by the International Accounting Standards Board (IASB) of the International Financial Reporting Standards Foundation (the IFRS Foundation), which includes observing the IFRS Interpretations Committee (IFRIC) and participating in the IFRS Advisory Council and other IASB working groups.

The IFRS Foundation is the legal entity under which IASB operates. Working through the IASB, its mission is to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability and efficiency to fi nancial reporting around the world. Committee 1 contributes to the standard setting work of the IASB through its involvement in the IASB´s work streams and its comment letters on IASB proposals, providing the IASB with input that reflects the perspective of securities regulators.

IOSCO currently Chairs the Monitoring Board (MB) that oversees the IFRS Foundation, where it holds a seat in representation of the IOSCO Growth and Emerging Markets Committee. Committee 1 also represents IOSCO in its capacity as an official observer to the International Forum of International Regulators (IFIAR), with whom it liaises on relevant workstreams.

IOSCO also believes that a set of international auditing standards has an important role to play in contributing to global financial reporting and supporting investor confidence and decision making. To that end, Committee 1 monitors the activities of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), and it participates in their respective Consultative Advisory Groups (CAGs).

Monitoring Group Consultation Paper on reform of the global audit standard-setting process

IOSCO is a founding member of the Monitoring Group (MG) of international organizations committed to advancing the public interest in areas related to international audit standard setting and audit quality. IOSCO provides the Secretariat to the Monitoring Group whose members are the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Forum of Independent Audit Regulators and the World Bank.

In November 2017, the Monitoring Group issued a consultation paper on *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest*. The objective was to obtain stakeholder views on how best to safeguard the independence of the audit standard setting process and increase its responsiveness to the public interest. The consultation paper set out various options to enhance the governance, accountability and oversight of the international audit standard-setting process. After reviewing the 180 comments from a wide range of stakeholders, the Monitoring Group published, in July 2020, the final reform measures aimed at strengthening the international audit and ethics standard-setting system. Specifically, the recommendations are designed to achieve the following objectives:

- Achieve an independent and inclusive, multi-stakeholder standard-setting system;
- Reinforce the consideration of the public interest within the standard-setting process and throughout the full cycle of standards' development, with enhanced independent oversight and standard-setting guided by the Public Interest Framework; and
- Foster the development of timely, high-quality standards that respond to an accelerating pace of change.

IOSCO is committed to helping advance these initiatives to establish a global comprehensive corporate reporting system.

Environmental, Social and Governance Disclosure

Committee 1 supports the IOSCO Sustainable Task Force (STF) in its work to monitor developments regarding the disclosure of Environmental, Social and Governance (ESG) information, including private-sector initiatives that promote a voluntary framework. It also continues to interact with different forums and task forces, issuers and investor groups about the latest developments regarding disclosure of ESG information, to understand better market participants' perspectives and expectations regarding disclosure of ESG information.

Committee 1 contributed to the report on *Sustainable Finance and the Role of Securities Regulators and IOSCO*, published in April 2020 by the IOSCO Sustainable Finance Network. The report highlights the need for authorities to address the issues related to sustainability-related disclosure; the lack of common definitions of sustainable activities; and greenwashing and other challenges to investor protection. Later, in December 2020, IOSCO submitted its response to the IFRS Consultation on Sustainability Reporting, confirming its commitment to supporting the IFRS´ efforts to establish a global comprehensive corporate system for sustainable reporting. *(For further information on IOSCO´s ESG work refer to IOSCO´s Sustainable Finance Network and Board-Level Task Force on Sustainable Finance under the section on Information Networks and Cross-committee work).*

Other Activities in 2020

In April 2020, amid the COVID-19 pandemic, IOSCO issued a statement prepared by Committee 1 confirming its commitment to the development, consistent application and enforcement of high-quality reporting standards and disclosure regulations, all of which are critical elements for the proper functioning of the capital markets. Similarly, in May 2020, IOSCO issued a public statement on the importance to investors and other stakeholders of timely and high-quality information about the impact of COVID-19 on

issuers´ operating performance, financial position and prospects.

Committee 2 on Regulation of Secondary Markets

Committee Chair:
Ms. Tracey Stern, (OSC Ontario)
Committee Vice Chair:
Mr. Liuyi Pi (China CSRC)

Committee 2 on Regulation of Secondary Markets examines the structure and regulation of global capital markets and financial market infrastructure, including developments in technology, trading and trading venue oversight. The work of Committee 2 focuses on issues relating to investor protection, market integrity and fair and efficient markets.

The regulation of platforms trading crypto assets

In February 2020, Committee 2 published the final paper on *Issues, Risks and Regulatory Considerations relating to Crypto-Asset Trading Platforms* (CTPs) that describes the issues and risks associated with crypto-asset trading platforms and sets out key considerations to assist regulatory authorities in addressing these issues.

Many of the issues related to the regulation of CTPs are common to traditional securities trading venues but may be heightened by how CTPs are operated. Where a regulatory authority has determined that a crypto asset is a security and falls within its remit, the basic principles or objectives of securities regulation should apply. Consequently, the report is clear that the IOSCO Principles and Methodology provide useful guidance for regulatory authorities.

To prepare this report, IOSCO issued a consultation report based on a survey of the regulatory approaches to CTPs that member jurisdictions are currently applying or considering. The final report draws on the responses to this consultation and includes a summary of the survey´s findings.

Clock Synchronization

In January 2020, Committee 2 issued a report recommending that trading venues and their participants synchronize the clocks they use for timestamping a reportable event with coordinated universal time (UTC). The synchronization of clocks used for recording the time of a recordable event helps establish a clear audit trail of when trading events occur in the secondary markets. This process is increasingly important as more trading takes place across multiple venues, in different jurisdictions and at faster speeds.

Liquidity Provision in Secondary Markets

In August 2020, IOSCO published a report that explores how liquidity provision has evolved in equity securities markets in recent years. The report, titled *Liquidity Provision in the Secondary Markets for Equity Securities*, identifies some of the key elements of market making programs and/or other liquidity provision incentive arrangements that may help promote the provision of liquidity, strengthen investor confidence and foster fair and efficient markets.

Market Data

In December 2020, Committee 2 published a consultation report on issues associated with market data in secondary equity markets.

While market data is an essential element of fair and efficient markets, participants in many jurisdictions have raised concerns about the content, costs, accessibility, fairness and consolidation of these data.

The consultation report on *Market Data in the Secondary Equity Markets* describes these concerns and asks for industry views on both the issues and possible regulatory responses to them. It identified the issues and concerns relating to:

> The market data necessary to facilitate trading in today's markets;
> Fair, equitable and timely access to market data;
> The interchangeability of market data;
> Fees for market data;
> The need for and extent of data consolidation; and
> Additional products and services related to accessing market data.

Provision of Services relating to Critical Systems by Third Party Service Providers

See section below on Information Networks and Cross-Committee Work for more information.

The Impact of Shocks of March/April 2020 on Secondary Markets

In December 2020, the Board approved a mandate for Committee 2 to examine the market turbulence in March/April 2020 and its impact on secondary market microstructures.

Committee 3 on Regulation of Market Intermediaries

Committee Chair:
Ms. Claire Kütemeier (Germany BaFin)
Committee Vice Chair:
Ms. Mhairi Jackson, (UK FCA)

Committee 3 on Regulation of Market Intermediaries seeks to promote investor protection and market efficiency through its policy work on issues related to market intermediaries.

Conflicts of interest and associated conduct risks during the capital raising process: Stage Two on Debt Capital Raising

In September 2020, Committee 3 published final guidance to help IOSCO members address potential conflicts of interest and associated conduct risks that market intermediaries may face during the debt capital raising process, the second part of its project on conflicts of interest and associated conduct risks during the capital raising process. The guidance --issued in the report *Conflicts of interest and associated conduct risks during the debt capital raising process* -- addresses specific concerns observed by some regulators during the COVID-19 crisis that could affect the integrity of the capital raising process. The guidance comprises nine measures that address potential issues when issuers are preparing to raise debt finance, including the use of risk management transactions, the quality of information available to investors and the allocations process.

As background, the report describes the key stages of the debt raising process and identifies where the role of intermediaries may give rise to conflicts of interest. It also explores the potential benefits and risks of blockchain technology in addressing conflicts of interest in the debt capital raising process.

The consultation report on the guidance comprised eight measures published in December 2019, prior to the start of the COVID 19 pandemic. The final report includes an additional ninth measure that addresses specific concerns that emerged from the pandemic. It seeks to address the potentially problematic conduct of lenders that may opportunistically leverage their role during debt capital raising to pressure corporate clients into awarding them future mandates.

IOSCO published the first stage of this project in September 2018: *Conflicts of interest and associated conduct risks during the equity capital raising process.*


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The report provides guidance for regulators comprised of eight measures grouped according to the various stages in the equity capital raising process.

Work on Digitalization and Cross-Border Distribution (Follow-up to Retail OTC Leveraged Products Project)

The IOSCO Board identified Retail Distribution and Digitalization as one of its work priorities for 2019 and 2020. As with its Retail OTC Leveraged Products work, C3 is collaborating on this project with Committee 4 on Enforcement and the Exchange of Information

The project is specifically looking at the wider issue of online marketing and distribution of investment products and services, including new and high-risk products such as crypto-assets offered to retail customers online on a domestic and/or cross-border basis. The Board also named crypto assets as a work priority for both 2019 and 2020. *(See Information-sharing Networks and Cross-Committee Work for more information).*

The Use of Artificial Intelligence in the Context of Market Intermediaries and Asset Managers

Committee 3 and Committee 5 on Asset Management conducted a survey of firms (Committee 3) and organized industry roundtables and bilateral engagements (Committee 5) to determine the extent to which market intermediaries and asset managers deploy AI and ML (AIML) and to identify the potential issues and risks stemming from the use of AIML.

IOSCO published a consultation report for this project in June 2020 for a three-month comment period. The consultation report proposes guidance to assist IOSCO members create appropriate regulatory frameworks for supervising the use of AI and ML by market intermediaries and asset managers.

Outsourcing

See Information-sharing Networks and Cross-Committee Work for more information.

Project on Leveraged Loans and Collateralized Loan Obligations (CLOs).

The work program for 2020 called for IOSCO to continue work on five specific priorities identified by the Board for 2019 while assuming a new priority on the rising levels of corporate debt and leveraged loans and the potential resultant risks in capital markets.

C3 and C5 on Asset Management jointly undertook the project on corporate debt and leveraged loans with a focus on the potential conflicts of interest and misalignment of incentives along the intermediation chain, from credit origination to the sale of these products to end-investors. The project also looks at disclosures, market transparency and investor due diligence regarding CLOs and leveraged loans. In April 2020, as part of IOSCO's reprioritization exercise following the outbreak of COVID-19, the Board agreed to revise and extend the project timeline *(See Information-sharing Networks and Cross-Committee Work for more information).*

Committee 4 on Enforcement and the Exchange of Information

Committee Chair:
Mr. Jean-Francois Fortin (Quebec Canada)
Committee Vice Chair:
Andrew Cotterell (US FCA)

Committee 4 on Enforcement and the Exchange of Information encourages dialogue among members relating to the investigation of violations of securities and derivatives laws, good practices for investigation and international cooperation in investigations. It provides a platform for members to share experiences in identifying and addressing emerging types of misconduct.

Enforcement Cooperation

Committee 4 continued to work with the MMoU Screening Group to encourage global cooperation on enforcement among IOSCO members under the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU), the international standard for cooperation and information exchange. Cooperation among regulators on enforcement is essential to sustain effective global regulation and robust securities markets around the globe and ensure their healthy and robust development.

As of the end of 2020, the number of MMoU signatories was 124.

In March 2017, IOSCO launched the Enhanced MMoU (EMMoU) which provides for additional cooperation powers that IOSCO believes are necessary for continuing to safeguard the integrity and stability of markets, protect investors and deter misconduct and fraud.

By the end of 2020, 17 members had become signatories to the EMMoU. *(For more information on the MMoU and the EMMoU, see MMoU/EMMoU Screening Group in the chapter on Implementation and the MMOU).*

Emerging Digital Threats

Committee 4´s initiative on emerging digital threats arose from its discussions on how to use its members´ experience in enforcement to contribute to IOSCO´s work on initial coin offerings (ICOs). The committee agreed to broaden the scope of its work on ICOs to include emerging digital threats, based on the premise that wrongdoers will increasingly depend on new technologies to commit their offenses.

As part of this work, Committee 4 launched an emerging digital threats portal for IOSCO members in May 2019. The portal is designed to provide information to help ordinary and associate members respond to the threats posed by emerging digital activities in global capital markets. It began with a focus on the risks arising from the marketing of, and investment in, crypto assets but is expected to widen its scope further to include other digital threats as they arise.

The Portal is available to all IOSCO Ordinary and Associate members. IOSCO members are encouraged to make optimal use of the Portal by both accessing and posting materials on EDT related work on the Portal.

Retail Digitalization and Cross-Border Distribution

Committee 4 and Committee 3 are collaborating on the follow-up work to the 2018 Report on Retail OTC Leveraged Products.

This follow-up project looks at the broader issue of marketing and distributing financial products and services online, including new and high-risk products such as crypto assets, by registered and unregistered persons and entities to retail investors in both a cross-border and domestic context.

C4 is examining the cross-border enforcement angle of digitalization and the challenges it raises. *(See Cross- Committee Work below for more information on digitalization)*

Committee 5 on Investment Management

Committee Chair:
Mr. Robert Taylor (UK FCA)
Committee Vice Chair:
Ms. Vanessa Casano (France AMF)

Work on Structural Vulnerabilities in Asset Management Activities

In 2020, Committee 5 on Investment Management advanced its work to identify potential vulnerabilities in asset management activities that could impact financial stability, as part of its effort to take forward the recommendations in the Financial Stability Board report *Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities*, published in January 2017.

Committee 5 published in December 2019 a two-step framework designed to facilitate monitoring of leverage in investment funds that could potentially pose risks to financial stability. The framework, outlined in the report on *Recommendations for a Framework Assessing Leverage in Investment Funds*, comprises a two-step process aimed at achieving a meaningful and consistent assessment of leverage-related risks of a fund or group of funds.

The recommendations on leverage aim to achieve a balance between precise leverage measures and simple, robust metrics that regulators can apply consistently to the wide range of funds offered in their jurisdictions. Step 1 indicates how regulators could exclude from consideration funds that are unlikely to produce financial stability risks while filtering out for further analysis a subset of funds that may pose such risks. Step 2 entails a risk-based analysis of the subset of funds identified in Step 1.

In 2020, a C5 sub working group developed a data collection template for the IOSCO Secretariat´s data collection exercise regarding leverage. The IOSCO Secretariat undertook in early 2021, the first collection of data as of 31st December 2020. Based on this data, IOSCO will produce an annual report on leverage in funds.

Hedge Fund Survey

In April 2020, IOSCO published a report on the fifth iteration of its Annual Hedge Fund Survey, based on data collected as of 30th September 2018. The survey is designed to provide regulators insight into the global hedge fund industry and the potential systemic risks it may pose to the international financial system. The survey facilitates the systematic collection and analysis of hedge fund data, enabling regulators to share information and observe trends regarding trading activities, leverage, liquidity management and funding in the global hedge fund sector.

The fifth iteration of the Hedge Fund Survey also included valuable data on measuring leverage in hedge funds. Like previous editions, the survey collected data related to fund liquidity, collateral, margin and exposures, all of which help indicate the potential impact of fund leverage.

The 2020 edition also provided, for the first time, a jurisdiction-level breakdown of information on long and short exposure on an asset-class basis and several specific leverage metrics, including Gross Notional 2 Exposure (GNE) and GNE Adjusted, as recommended in IOSCO´s December 2019 *Recommendations for a Framework Assessing Leverage in Investment Funds.*

ETF Work

In 2019, Committee 5 undertook a project to identify the underlying risks and regulatory issues linked to the growth in Exchange Traded Funds (ETFs). It submitted a Thematic Paper on ETFs to the Board in October 2019, which examined the regulatory issues related to the intermediation of ETFs, including potential investor-related and market-facing risks related to the growth in ETFs.

As part of IOSCO's reprioritization exercise in response to COVID-19, the project timeline was extended in 2020. The final report expected to be published in 2021 will include a set of good practices and issues for regulators and industry to consider regarding ETFs.

While the work on ETFs was paused in April 2020, it was resumed soon after, and Committee 5 agreed to analyze developments in the ETF markets during the March 2020 market stresses.

Index Providers

Committee 5 created a working group in 2019 to review conduct issues related to index providers, which is a Board priority. The committee conducted a survey of its members to identify, among other things, potential conflicts of interest involving index providers and the impact of administrative errors on funds. The Board agreed in April 2020 to delay the project to dedicate more time and resources to issues stemming from the COVID-19 pandemic.

Fund Exposure to Crypto Assets

In 2019, Committee 5 created a working group to examine and inform members on issues arising from fund exposure to crypto assets, a Board priority included in the IOSCO 2019 and 2020 Work Programs.

The use of Artificial Intelligence and Machine Learning in asset management

Committee 5 created an AI/ML working group to contribute to the Committee 3 consultation report on the use of AI/ML by market intermediaries. The working group provided input and expertise on the use of AI/ML in asset management. The consultation report was published on 25 June 2020 *(See IOSCO Cross-Committee Work for more information on AI/ML).*

Committee 6 on Credit Rating Agencies

Committee Chair:
Ms. Rita Bolger (US SEC)

In 2020, Committee 6 on Credit Rating Agencies (CRAs) contributed to IOSCO´s cross-committee consultation report on outsourcing. Its role is to understand how CRAs manage outsourcing and cloud computing and incorporate these activities in their organizational strategies and structure. *(See the section below on Cross-Committee Work for more information).*

Committee 6 has a watching brief status.

Committee 7 on Derivatives

Committee Chair:
Mr. Paul Willis (UK FCA)
Committee Vice Chair:
Mr. Kevin Fine (OSC Ontario)

Committee 7´s work focuses on developments in global derivatives markets.

Review of the Principles for the Regulation and Supervision of Commodity Derivatives Markets

In late 2019, Committee 7 began work to review and possibly update the *Principles for the Regulation and Supervision of Commodity Derivatives Markets*. These Principles were issued in 2011 to help ensure that commodity derivative markets serve their function of facilitating price discovery and hedging while remaining free of manipulation and abusive trading.

In recent years, commodity derivatives markets have evolved, shaped by new trading venues, the growing role of unregulated firms in these markets and the increasing need to strengthen cyber-security and operational resilience.

Accordingly, Committee 7 in 2020 analyzed the impact of these developments on commodity derivatives markets to determine how well the Principles continue to serve as a framework for the regulation of commodity derivatives markets and to revise them, as necessary.

OTC derivatives post-trade service providers

A key objective of this joint project is for IOSCO to review, update and consolidate the existing IOSCO material on outsourcing. Committee 7 participated in this work to determine the role of post-trade service providers and the relevant services provided to derivatives and assess the risks they pose to the financial system.

Committee 7 focused on six third-party service areas: trade matching and confirmation service providers, portfolio reconciliation service providers, portfolio compression service providers, collateral management service providers, trade reporting service providers and credit limit check service providers. *(See the section below on Cross-Committee Work for more information)*

Efficient Resilience

In 2017, the IOSCO Board agreed to examine regulatory reforms in OTC derivatives markets to determine whether any aspects of the G20 reforms may have resulted in inefficient market resiliency. After looking at the principal areas of reform -- clearing, margining, exchange/platform trading, capital leverage and reporting -- Committee 7 conducted further work for the IOSCO Board in this area on:

- *Market structure,* to analyze the possible impact of OTC derivatives reforms on the structure of OTC derivatives markets and associated services such as trade reporting, clearing, platform trading and calculation of margin for non-centrally cleared derivatives; and
- *Trade reporting,* to examine the practical effects of different reporting schemes and whether they captured data that is reliable and useful.

Committee 7 studied both the implementation of individual reforms and the outcome produced by the interaction of different reforms. It reported its findings on efficient resiliency to the IOSCO Board in May 2020.

Committee 8 on Retail Investors

Committee Chair:
Mr. Jose Alexander Vasco (Brazil CVM)
Committee Vice Chair:
Mr. Pasquale Munafó (CONSOB Italy)

Established in June 2013, the Committee on Retail Investors (C8) is responsible for conducting IOSCO's policy work on retail investor education and financial literacy, as well as advising the IOSCO Board on emerging retail investor protection matters and conducting investor protection policy work as directed by the Board.

Policy Work

During 2020, Committee 8 examined how IOSCO members handle investor complaints and apply redress mechanisms. The objective was to provide IOSCO members with a resource of information to assist them when addressing these issues in their jurisdictions. The final report, published in January 2021, offers a comparative analysis of informal complaint handling processes used by financial service providers and regulators; alternative dispute resolution; and formal legal complaint handling for investors pursuing claims for money damages and other remedies. The report includes nine Sound Practices to assist jurisdictions seeking to develop or enhance their complaint handling mechanisms and make them more user-friendly.

C8 Project on Investor Education on Crypto Assets

The IOSCO Board identified crypto assets as one of its five priorities for 2019 and included it in the IOSCO work programs for 2019, 2020 and 2021.

In December 2020, Committee 8 published a report to guide regulators when informing retail investors about the risks and characteristics of crypto assets. Titled *Investor Education on Crypto-Assets*, the report identifies possible risks to investors from the lack of market liquidity, volatility, partial or total loss of their investment, insufficient information, disclosure and fraud.

The report also describes methods that regulators can use to provide educational material to retail investors on the risks of investing in crypto assets.

An Appendix to the report provides examples of IOSCO members' use of different investor activities and initiatives regarding crypto assets.

World Investor Week

IOSCO held its fourth World Investor Week in October 2020. From 5 to 11 October, securities regulators, stock exchanges, international organizations, investor associations and other IOSCO stakeholders from more than 100 jurisdictions participated in this campaign in the cause of financial literacy and investor education and protection. Coordinated by Committee 8, this annual event serves to raise awareness worldwide about the importance of investor education and protection. Activities during the week range from workshops and conferences to local and national investor education campaigns, games and contests.

In addition to highlighting the importance of investor education and protection, a key objective of the WIW is to help investors understand and respond to rapid technological change and the challenges posed by increasingly interconnected financial markets.

The 2020 WIW provided key messages about the risk of investing in volatile markets caused by the COVID-19 pandemic. The campaign also focused on the basics of smart investing, such as the need to assess the impact of fees on returns and understand the risks of investing, and it reiterated the previous year's messages regarding online investments and digital assets.

In October 2020, Committee 8 published *World Investor Week 2019 Public Report*, which provides a description of the activities conducted worldwide during the event in 2019.

Information-sharing Networks and Cross-Committee Work

A growing body of IOSCO work draws on the expertise of various policy committees, as regulators find it increasingly useful to examine pressing issues from various market perspectives. For IOSCO, this collaborative work provides a fuller picture of the risks and challenges that regulators, investors and other market participants face in a rapidly changing financial landscape. In addition to the collaborative work conducted on outsourcing and third-party suppliers and retail leveraged OTC products, IOSCO members also shared information and expertise regarding Fintech, Initial Coin Offerings and sustainability through IOSCO networks.

Fintech Network

The IOSCO Board established the Fintech Network in May 2018 to enable IOSCO members to collaborate on Fintech issues, bring together specific Fintech expertise under a single umbrella structure, share information and experiences among members and present substantive issues to the Board. The network, chaired by the UK FCA, has members from more than 90 jurisdictions and a Steering Group (SG) of interested Board members to oversee and direct its work.

Following exploratory work, the network and SG agreed in 2019 to focus on four priority themes: (1) distributed ledger technology and its applications within a securities market context, (2) artificial intelligence and machine learning (3) regtech and suptech (coding of regulations and machine-readable rulebooks) and (4) the lessons learned by members in encouraging innovation.

The network completed work on scalability, interoperability and quantum computing with respect to distributed ledger technology or DLT, delivered to the IOSCO Board in February 2020. In December 2020, it hosted a one-day workshop at the margins of the Singapore Fintech Festival on Regtech / Suptech and Approaches to Innovation. During the day members exchanged experiences and met with industry.

The Steering Group created the Stablecoin Working Group (SCWG) in July 2019

In March 2020, the SCWG published the report *Global Stablecoin Initiatives* – its first public contribution to the ongoing public debate at international organizations and standard-setting bodies on global stablecoin proposals. The report examines, from a market regulator´s perspective, the regulatory issues arising from the use of global stablecoins and explores how existing IOSCO Principles and Standards could apply to these arrangements.

Initial Coin Offerings

The ICO Consultation Network, established in September 2017, facilitates the sharing of information among members on digital currencies and tokens and their regulatory responses to issues that emerge.

In May 2018, the Board agreed to develop a Support Framework to assist members as they address domestic and cross-border issues stemming from initial coin offerings that could impact investor protection or market integrity. To further build regulatory capacity in this area, the Support Framework collects materials to assist members in looking beyond the marketing labels of ICOs to focus on the substance of these offerings.

As part of IOSCO's reprioritization exercise during the Covid-19 pandemic, the Board put the project on hold in April 2020.

Sustainable Finance Network (SFN) and Board-level Task Force on Sustainable Finance (STF)

The year 2020 marked a turning point for IOSCO´s Sustainable Finance Network (SFN), created in October 2018 to provide a forum for members to discuss sustainability matters. The IOSCO Board invited Mark Carney, UN Special Envoy on Climate Action and Finance and advisor to the COP26 Event on Climate Change, to speak at its Annual Meeting in November 2020. At that same meeting, the Board agreed that the SFN should further explore the following areas:

> Pathways to mandatory disclosure beyond comply or explain requirements;
> Engaging with the IFRS Foundation to ensure that any proposals stemming from the IFRS consultation paper met securities regulators' expectations both in terms of content and governance; and
> Advancing discussions regarding the establishment of an assurance framework for sustainability disclosures.

SFN Work

In 2019, the SFN reviewed initiatives on sustainable finance conducted by other international bodies and associations, regulators and policy fora.
The network undertook a survey of the initiatives that securities regulators and market participants were planning or had undertaken to take advantage of the opportunities and address the challenges posed by sustainable finance.

In April 2020, IOSCO published the report on *Sustainable Finance and the Role of Securities Regulators*. The report, prepared by the SFN, highlights three main areas of recurring concern in sustainable finance:

> Multiple and diverse sustainability frameworks and standards;
> Lack of common definitions of sustainable activities; and
> Greenwashing and other investor protection challenges.

The report indicates that many issuers and asset managers operating cross border are subject to different regulatory regimes or participate in multiple regional or international third-party initiatives. It found that this wide variety of regulatory regimes and initiatives, often with inconsistent objectives and requirements, may prevent stakeholders from fully understanding the risks and opportunities that sustainable business activities entail.

It also underscored IOSCO´s commitment to playing a driving role in this area.

To address the concerns identified by the SFN during its work on the report, the IOSCO Board agreed in February 2020 to establish a Board-level Task Force on Sustainable Finance (STF) led by Erik Thedéen, Director General of Finansinspektionen, Sweden, as Chair. The STF´s objectives are to improve sustainability–related disclosures made by issuers and asset managers; to work in collaboration with other international organizations and regulators to avoid duplicative efforts and to enhance coordination of relevant regulatory and supervisory approaches; and to prepare case studies and analyses of transparency, investor protection and other relevant issues within sustainable finance to illustrate the practical implications of its work.

The STF agreed to undertake the following three workstreams:

> A workstream on sustainability-related disclosures for issuers;
> A workstream on sustainability-related disclosures for asset managers, greenwashing considerations and other investor protection issues; and
> A workstream on ESG ratings and ESG data providers.

In December 2020, the STF sent a response on behalf of IOSCO to the IFRS Consultation on Sustainability Reporting. In the letter, the STF confirmed IOSCO´s support for establishing a Sustainability Standards Board (SSB) under the IFRS Foundation, given the long history of collaboration between the two organizations and their shared objectives of promoting transparency within the capital markets.

Cross-Committee Work

Outsourcing and Third-party Suppliers

In May 2020, IOSCO published a consultation paper proposing updates to its principles for regulated entities that outsource tasks to service providers.

The proposed updates are aimed at ensuring operational resilience of regulated entities. They are based on IOSCO´s 2005 Outsourcing Principles for Market Intermediaries and the 2009 Outsourcing Principles for Markets but their application has been expanded to include trading venues, market participants acting on a proprietary basis, credit rating agencies and financial market infrastructures.

The cross-committee approach aims to bring consistency to IOSCO's principles across sectors while ensuring that those principles remain consistent over time.

Since the publication of IOSCO´s earlier principles on outsourcing for market intermediaries and secondary and derivative markets, new technologies and other developments have drawn the attention of regulators to new potential risks related to outsourcing. An IOSCO analysis indicated that some market participants, trading venues, credit rating agencies and market infrastructures were outsourcing critical services and other tasks to third-party providers, often to reduce costs or improve competitiveness in today´s increasingly automated and interconnected markets.

Committee 2 on Secondary Markets, Committee 3 on Market Intermediaries, Committee 6 on Credit Rating Agencies and Committee 7 on Derivatives, began work in 2018 to examine the risks associated with the use of third-party service providers.

In 2019, each of the participating committees examined the role of third-party service providers in its area of specialization to evaluate where the existing IOSCO Principles may not adequately address recent developments and to update them where appropriate.

The revised principles comprise a set of fundamental precepts and a set of seven principles. The fundamental precepts cover issues such as the definition of outsourcing, the assessment of materiality and criticality, their application to affiliates, the treatment of sub-contracting and outsourcing on a cross-border basis. The seven principles cover the following areas:

> Due diligence in the selection and monitoring of a service provider;
> The contract with a service provider;
> Information security, business resilience, continuity and disaster recovery;
> Confidentiality Issues;
> Concentration of outsourcing arrangements;
> Access to data, premises, personnel and associated rights of inspection; and
> Termination of outsourcing arrangements.

The Use of Artificial Intelligence and Machine Learning (AI/ML) in the Context of Market Intermediaries and Asset Managers

Committee 3 on Regulation of Market Intermediaries and Committee 5 on Investment Management issued a paper on artificial intelligence and machine learning AI/ML for public consultation in June 2020.

The 2020 report proposes guidance to assist member jurisdictions in creating appropriate regulatory frameworks to regulate and supervise intermediaries and asset managers that use AI /ML. The proposed six measures seek to ensure that market intermediaries and asset managers have the following features:

> Appropriate governance, controls and oversight frameworks over the development, testing, use and performance monitoring of AI/ML;
> Ensuring staff have adequate knowledge, skills and experience to implement, oversee, and challenge the outcomes of AI /ML;
> Robust, consistent and clearly defined development and testing processes to enable firms to identify potential issues prior to full deployment of AI/ML; and
> Appropriate transparency and disclosures to investors, regulators and other relevant stakeholders.

The Board identified the use of AI/ML by market intermediaries and asset managers as a policy priority in both 2019 and 2020.

While use of these technologies may benefit firms and investors by, for example, increasing execution speed and reducing the cost of investment services, it may also create or amplify risks, potentially undermining financial markets efficiency and causing harm to consumers and other market participants.

In 2019, IOSCO´s Fintech Network issued a report to its members that explored the potential risks, benefits and opportunities of AIML, with a focus on the ethical use of AIML techniques in capital markets. IOSCO also engaged with the industry to gain a better understanding of potential areas of risks where AIML is being used by market intermediaries and asset managers.

Leveraged loans and CLO

In February 2020, the IOSCO Board approved a mandate proposed by Committee 3 on Regulation of Market Intermediaries and Committee 5 on Investment Management on *conduct- related issues in the leveraged loans and collateralized loan obligations markets*, following the exponential growth of those markets. A month later, as part of IOSCO's reprioritization exercise in response to COVID-19, the Board agreed to delay the work.

The project focuses on the potential conflicts of interest and misalignment of incentives along the intermediation chain, from credit origination to the sale of leverage loans and collateralized loan obligations (CLO) to end-investors. It also examines disclosures, market transparency and investor due diligence regarding CLOs and leveraged loans. The objective is to explore the appropriateness and accuracy of information on the quality of the underlying loans available to the CLO managers, the degree of due diligence exercised by the CLO managers and the accuracy of the information disclosed to CLO investors.

Committee 3 and Committee 5 agreed to submit their findings from their analysis to the IOSCO Board and recommend next steps to address the main risks and potential conduct-related issues, as appropriate.

Retail Distribution and Digitalization

The IOSCO Board identified *Retail distribution and digitalization* as one of its five priorities for 2019 and 2020. As with the work for the Retail OTC Leveraged Products report, published in 2018, Committee 3 on Market Intermediaries is collaborating in this project with Committee 4 on Enforcement and the Exchange of Information.

As the internet and social media are changing how financial products are promoted and distributed, providing new opportunities for the cross-border distribution of financial services, the Board decided to approve a mandate in November 2019 for work in this area.

In 2020, Committee 3 and Committee 4 examined the following issues regarding online marketing and distribution of investment products and services, among others:

> General outlook and trends in online marketing and distribution;
> Online marketing and onboarding techniques used by financial intermediaries, including targeting methods and psychology-based selling techniques;
> Risk mitigation techniques used by financial intermediaries;
> Applicable regulatory framework, regulatory challenges and approaches;
> Cross border challenges; and
> Enforcement challenges and approaches.

This project follows up on the 2018 *Report on Retail Leveraged Products* that provided measures for securities regulators to consider when addressing the risks arising from the marketing and sale of OTC leveraged products to retail investors. In this earlier occasion, Committee 3 and Committee 4 also collaborated with Committee 8 on Retail Investors, which contributed a toolkit with material to educate investors about the risks of OTC leveraged products.

Task Forces

Board Level Task Force on Financial Benchmarks

Benchmarks play a key role in the financial system's core functions of pricing and allocating capital and risk. They impact enormous volumes of credit products (e.g., loans, mortgages, structured products, short-term money market instruments and fixed income products) and derivatives. Additionally, they are used in trade finance, valuation, accounting and taxation.

IOSCO´s Board-level Task Force on Financial Benchmarks, created in 2012, has been at the center of global efforts to address the issues revealed by a series of benchmark manipulation scandals in 2012. In July 2013, IOSCO published the *Principles for Financial Benchmarks*, which create an overarching framework of 19 Principles for benchmarks used in financial markets, covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. The Principles are a set of recommended practices that should be implemented by benchmark administrators and submitters. They were endorsed by the G20 leaders at their St Petersburg Summit in 2013 as global standards for financial benchmarks and continue to serve as guidance to jurisdictions globally.

Since publication of the Benchmark Principles in 2013, IOSCO has conducted several reviews of their implementation and issued guidance aimed at helping Benchmark Administrators increase the consistency and quality of the reporting on their compliance with the Principles.

The benchmarks reform carried out under the aegis of the Financial Stability Board Official Sector Steering Group (OSSG) seeks to ensure a smooth transition from the existing IBORs to alternative rates.

The transition away from the London Interbank Offered Rate or LIBOR remains a significant priority, given its widespread global use. Important progress was made on the reform in 2020 in anticipation of the expected cessation after the end of 2021. The FSB published its latest progress report in November 2020.

With time running out, all market participants – both financial and non-financial firms across the globe – are expected to follow the necessary steps to avoid disruption. To support this process, the FSB released a global transition roadmap in October 2020 setting out the high-level steps that firms need to take during 2021 to complete their transition.

Follow-up Group to the 2015 Cross-Border Regulation Task Force

In December 2018, after identifying market fragmentation as an important priority for IOSCO, the Board approved a mandate for a Follow-Up Group (FUG) to continue the work of the 2015 Cross-Border Regulation Task Force.

The FUG conducted a survey of Board members to identify the potential causes of market fragmentation and address other new developments affecting cross-border regulation since the publication of the 2015 *Report on Cross-Border Regulation* (including within the OTC derivatives market). The result was the FUG report *Market Fragmentation & Cross-border Regulation*, published in June 2019. The report examines instances of regulatory-driven fragmentation in wholesale securities and derivatives markets and considers what actions regulators can take to minimize its adverse effects on global securities markets.

In June 2020, the Follow-up Group published the report on *Good Practices on Processes for Deference* to assist regulatory authorities in mitigating the risk of unintended, regulatory-driven market fragmentation and to strengthen international cooperation. The report sets forth eleven Good Practices to help members establish efficient deference processes. The practices are underpinned by the philosophy that deference processes should be outcomes-based, risk-sensitive, transparent, sufficiently flexible and supported by strong cooperation.

Board-Level Retail Market Conduct Task Force

In 2020, the IOSCO Board established the Board-level Retail Market Conduct Task Force (RMCTF) with two objectives. The first and immediate objective was to assist members in addressing retail market conduct challenges arising from the Covid-19 pandemic. Accordingly, in December 2020, the RMCTF published a report that examines common retail misconduct risks and harms affecting the financial services industry and retail investors during the pandemic and sets out measures to help authorities respond to these challenging developments.

The report also identifies the key drivers of firm and investor behavior that create increased opportunities for misconduct during times of stress and provides useful information on the various measures and tools that authorities use to reduce those risks.

The task force´s second and more overarching medium-term objective is to examine the trends giving rise to incidents of misconduct in retail markets and the regulatory approaches to address them.

Retail Market Conduct Repository

The RMCTF developed an online Retail Market Conduct Repository for its members to facilitate the collection of case studies via a standardized template, which provides real-time access to its searchable content.

Board-Level Financial Stability Engagement Group

In February 2020, the IOSCO Board agreed to constitute the Board-Level Financial Stability Engagement Group (FSEG) to address financial stability issues and reduce systemic risk.

Following the 2020 February Board meeting, the IOSCO Board established the FSEG under the chairmanship of the CFTC and AMF France.

FSEG's initial objective regarding the COVID-19 induced market turmoil in March 2020 was to contribute to the work of the FSB Standing Committee on Assessment of Vulnerabilities (SCAV) by providing the securities regulators' perspective of the impact of the crisis on capital markets. The FSEG contributed information to complement the FSB´s analysis of:

> The impact of the pandemic on the asset management industry, particularly regarding outflows from funds;
> The impact of volatility on margin calls and the resilience of CCPs; and
> Risks arising from credit rating procyclicality, rating downgrades in the CLO/Leveraged Loans markets and the mechanistic reliance of institutional investors on ratings.

IOSCO also created the MMF Working Group, a dedicated group of senior-level experts drawn from key MMF fund domicile jurisdictions, to examine how MMFs withstood market stresses during the March-April 2020 market turmoil and other issues regarding these funds during this turbulent period. The MMF Working Group published its findings in November 2020 and fed its work into the full review by the FSB Steering Committee on Non-Bank Financial Intermediation (NBFI) of the March turmoil and its impact on NBFI participants.

In late 2020, the FSEG, working through Committee 5´s Core Expert Group, analyzed the performance of open-ended funds (OEFs) during the market stresses of March and April 2020. An FSEG-led workstream examined the liquidity, structure and resilience of corporate bond markets during the same period, also as part of the FSB work on NBFI.

The FSEG established the Data Working Group to gather information regularly on CCP margins and liquidity management tools in asset management. It also initiated work in the year on government support measures during the pandemic and their impact on the Credit Rating Agencies' ratings and rating methodology.

Inter-Agency Work

IOSCO work with the Bank for International Settlements

BCBS-IOSCO Working Group on Margin Requirements

In 2011, the G20 Leaders called upon the Basel Committee on Banking Supervision (BCBS) and IOSCO to develop consistent global standards for margin requirements for non-centrally cleared derivatives, as part of the global financial reform agenda. In response, the BCBS and IOSCO released in September 2013 the final framework for margin requirements for non-centrally cleared derivatives. Under the globally agreed standards, financial firms and systemically important non-financial entities that engage in non-centrally cleared derivatives would be required to exchange initial and variation margin commensurate with the counterparty risks arising from such transactions. The framework was designed to reduce systemic risks related to OTC derivatives markets and to provide firms with appropriate incentives for central clearing and managing the overall liquidity impact of the requirements.

In February 2014, the BCBS and IOSCO approved the creation of a monitoring group - the Working Group on Margin Requirements (WGMR) - to evaluate the margin requirements and determine whether elements of the margin standards should be reconsidered. Recognizing the complexity and impediments in implementing the framework, the BCBS and IOSCO agreed in March 2015 to:

> delay the implementation of requirements to exchange both initial margin and variation margin by nine months; and
> adopt a phase-in arrangement for the requirement to exchange variation margin.

The BCBS and IOSCO also asked the WGMR to continue monitoring progress in implementation to ensure its consistency across products, jurisdictions and market participants. At the end of 2015 and again in early 2017, the WGMR submitted a progress report on implementation based on its monitoring work during 2015 and 2016.

The WGMR continued monitoring the global standards in 2018 and 2019. On the basis of the WGMR monitoring, in March 2019, IOSCO and the BCBS provided some guidance to support the timely and smooth implementation of the framework and to clarify its requirements. In addition, in July 2019, the BCBS and IOSCO revised the margin requirements framework to extend by one year the final implementation phases of the margin requirements.

Finally, in April 2020, in light of the significant challenges posed by Covid-19, IOSCO and the BCBS agreed to extend the deadline[1] for completing the final two implementation phases of the BCBS-IOSCO framework for margin requirements for non-centrally cleared derivatives by one year. This extension was aimed at providing additional operational capacity for firms to respond to the immediate impact of Covid-19 and, at the same time, facilitate covered entities to act diligently to comply with the requirements by the revised deadline.

With this extension, the final implementation phase will take place on 1 September 2022, at which point covered entities with an aggregate average notional amount (AANA) of non-centrally cleared derivatives greater than €8 billion will be subject to the requirements. As an intermediate step, from 1 September 2021 covered entities with an AANA of non-centrally cleared derivatives greater than €50 billion will be subject to the requirements.

IOSCO work with the Committee on Payments and Market Infrastructures (CPMI)

The Committee on Payments and Market Infrastructures (CPMI) and IOSCO work together to enhance the coordination of standard and policy development and implementation related to clearing, settlement and reporting arrangements, including financial market infrastructures (FMIs) worldwide. FMIs, which include systemically important payment systems (PSs), central counterparties (CCPs), trade repositories (TRs), central securities depositories (CSDs), and securities settlement systems (SSSs), play an essential role in the global financial system. The disorderly failure of an FMI could lead to severe systemic disruption if it caused markets to cease to operate effectively.

Policy work on CCP risk

In June 2020, CPMI-IOSCO published the report *Central counterparty default management auctions – Issues for consideration4*.[2] The report outlines certain issues that CCPs should consider regarding default management processes. It also identifies practices that CCPs could consider in the development and improvement of default management auctions to address these issues. The report builds on a discussion paper on CCP default management actions published in June 2019.

The report is accompanied by a cover note.[3] CPMI and IOSCO will work with the industry to progress issues related to CCP default management auctions over the next 24 months from the date of publication of the report. At the end of this timeframe, CPMI and IOSCO intend to take stock of industry progress towards consensus on these issues and towards implementation of concrete measures and consider whether additional work, potentially including guidance, would be necessary.

Moreover, CPMI-IOSCO carried out a preliminary analysis on the application of the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI) to stablecoin arrangements. The preliminary analysis concludes that the PFMI apply to global stablecoin arrangements when such arrangements perform systemically important payment system functions or other FMI functions that are systemically important.

Finally, in April 2020, in light of the significant challenges posed by Covid-19, IOSCO and the BCBS agreed to extend the deadline for completing the final two implementation phases of the BCBS-IOSCO framework for margin requirements for non-centrally cleared derivatives by one year. This extension was aimed at providing additional operational capacity for firms to respond to the immediate impact of Covid-19 and, at the same time, facilitate covered entities to act diligently to comply with the requirements by the revised deadline.

With this extension, the final implementation phase will take place on 1 September 2022, at which point covered entities with an aggregate average notional amount (AANA) of non-centrally cleared derivatives greater than €8 billion will be subject to the requirements. As an intermediate step, from 1 September 2021 covered entities with an AANA of non-centrally cleared derivatives greater than €50 billion will be subject to the requirements. Finally, the CPMI-IOSCO collaborated closely with the FSB Cross-border Crisis Management Working Group for FMIs (FSB fmiCBCM) and provided regular inputs to its work on financial resources and treatment of equity in CCP resolution, on the Guidance on Financial Resources to Support CCP Resolution and the Treatment of CCP Equity in Resolution.[4]

Other CPMI-IOSCO Work

Implementation Monitoring of the PFMI

During 2020, the CPMI-IOSCO Implementation Monitoring Standing Group (IMSG) continued the process of monitoring implementation of the PFMI. Consistent with the G20's expectations, CPMI and IOSCO members have committed to adopting the 24 principles (the Principles) and the five responsibilities for authorities (the Responsibilities) included in the PFMI. Full, timely and consistent implementation of the PFMI is fundamental to ensuring the safety and soundness of key FMIs and to supporting the resilience of the global financial system. In addition, the PFMI are an essential part of the G20's mandate stipulating that all standardized OTC derivatives should be centrally cleared, and all OTC derivative contracts reported to trade repositories.

[1] Available at https://www.iosco.org/news/pdf/IOSCONEWS560.pdf

[2] Available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD657.pdf

[3] Available at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD657-cover-note.pdf

[4] Available at https://www.fsb.org/wp-content/uploads/P161120-1.pdf

The IMSG implementation monitoring program includes 28 participating jurisdictions from a diversity of regions and from both developed and emerging market economies.[5] The PFMI implementation monitoring work is conducted at three levels:

Level 1 assessments are based on self-assessments by individual jurisdictions on their progress in adopting the legislation, regulations and other policies (together referred to as "implementation measures") that will enable them to implement the PFMI. Following the initial Level 1 assessment report, published in August 2013, the IMSG conducted seven updates from 2014 to mid-2020 (with the respective reports published in May 2014, June 2015, June 2016, July 2017 and July 2018, March 2019 and April 2020).

Following the release of the Fifth update in July 2018, the IMSG discontinued publication of Level 1 reports and moved to a Level 1 online tracker, now available on the IOSCO and the CPMI websites.

The Level 1 online tracker was introduced on 14 March 2019. Previously, Level 1 reports were published on an annual basis. The Level 1 online tracker shows the jurisdictions' self-reported progress on the implementation of the PFMI for all FMI types. This tool allows jurisdictions to report their progress at any point in time during the year. Prior to adopting this tool, the IMSG used annual Level 1 reports to assess the progress made by jurisdictions. The Level 1 online tracker presents:

- a general description of the Level 1 rating methodology;
- a tracker on the self-reported responses for the Principles (since 2013 up to the current year);
- a table summarizing the jurisdictions' self-reported responses for the Principles and a table summarizing the jurisdictions' self-reported responses for four of the Responsibilities;
- world maps showing, with different colors, the progress made by jurisdictions.

According to the information provided by the participating jurisdictions as of January 2020, 25 of the 28 jurisdictions have adopted measures implementing the international standards for all types of financial market infrastructures (FMIs). Since the 2019 update, two jurisdictions – Indonesia and Saudi Arabia – have completed the process of adopting measures that will enable them to implement the PFMI for all FMI types. The next update to the Level 1 information was conducted in December 2020-January 2021.

Level 2 assessments. In parallel with the Level 1 assessments, CPMI-IOSCO conducts Level 2 assessments. These are peer reviews that seek to determine the extent to which the content of the jurisdiction's implementation measures, as reported at Level 1, is complete and consistent with the PFMI. These Level 2 assessments allow the IMSG to identify gaps or shortcomings in the implementation measures against the respective Principles in the PFMI.

On 3 November 2020, the CPMI-IOSCO published the Level 2 report on Brazil, which covered all FMI types. This assessment initiated in July 2018 and continued in 2019, but it experienced some delays due to the challenges posed by the COVID-19 global pandemic.

In May 2019, the IMSG also started a Level 2 assessment of Turkey, covering all FMI types and, in October 2019, the IMSG launched the Level 2 assessment of the EU, covering PSs and CSDs/SSSs. These two assessments continued during 2020, but also faced some delays in view of the COVID-19 situation.

Level 3 assessments are peer reviews to examine the consistency in the outcomes arising from the implementation of the Principles, noting any variation in outcomes across FMIs in various jurisdictions. They are thematic in nature. The output from the Level 3 assessments are narrative-based reports.

In June 2019, the IMSG started a Level 3 assessment on Business Continuity Planning, focused on aspects of Principle 17 (operational risk). Thirty-eight FMIs (covering all FMI types) from 29 jurisdictions are participating in this L3 assessment which continued in 2020. In April 2020, the IMSG delivered the internal report to the Steering Group, which asked to discuss further some of the findings and include, for information purposes, some references to the way that FMIs addressed the Covid-19 situation.

The Steering Group approved the final internal report on 13 October 2020 and then instructed the IMSG to prepare a proposal for an external version of the report for 2021.

In December 2020, the IMSG launched a Level 3 assessment on Cyber Resilience. This assessment is focused on Principles 2 (governance), 3 (management of risks), and 17 (operational risk) and informed by the Guidance on cyber resilience for financial market infrastructures (Cyber Guidance), in particular in the areas of governance, learning/evolving, and testing. The work will be conducted in 2021 and early 2022.

Other points of note

The IMSG produced a Level 2 Handbook in September 2019, which is designed to facilitate a consistent approach to conducting Level 2 assessments in a way that is sufficiently general to accommodate differences in institutional factors and implementation measures across jurisdictions. It is also intended to be flexible in incorporating lessons learned and evolving practices from past and future jurisdictional assessments, which may result in future revisions or elaborations to the handbook.

The IMSG also produced a Level 2 database (available on the CPMI and IOSCO websites since May 2019). It is a repository of all assessments completed to date. The database contains relevant implementation measures, ratings, gaps and recommendations. It complements the assessment reports. This database will be updated as new Level 2 assessments are completed.

The Level 2 PFMI implementation database facilitates

- searching the information by jurisdiction, by FMI type, by Principle or Key Consideration, by Rating at Principle level;
- comparing such information across jurisdictions, across FMI types, and across Principles.
- understanding the use of the database through a tutorial video on how to use the Level 2 PFMI implementation database.

Finally, since January 2019, the IOSCO website has a dedicated CPMI-IOSCO page[6] with updated information on the PFMI implementation monitoring work.

CPMI - IOSCO Working Group on Cyber Resilience (WGCR)

The CPMI-IOSCO Working Group on Cyber Resilience (WGCR) was established in 2014 and explores ways to help both authorities (regulators, overseers) and FMIs to enhance cyber resilience. The WGCR encourages information sharing among FMI regulators and promotes swift adoption of the WGCR *Guidance on cyber resilience for financial market infrastructures* (Cyber Guidance), published in June 2016.

The Cyber Guidance was issued to add momentum and international consistency to the industry's ongoing efforts to enhance FMIs' ability to pre-empt cyber-attacks, respond rapidly and effectively to them and achieve faster and safer target recovery objectives. This guidance represents the first set of internationally agreed principles in financial markets to support oversight and supervision of cyber resilience.

Recently, the focus of the WGCR has shifted from policy development to promoting progress (e.g., by engaging with industry to advance the cyber resilience of FMIs), coordinating with other relevant international cyber groups or standard-setting bodies and collaborating with the IMSG to monitor the implementation by FMIs of the PFMI regarding cyber resilience.

In 2020, the WGCR interacted with the IMSG on the assessment of the Cyber Guidance.

IOSCO Work with the Financial Stability Board

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. The FSB's prime objective is to promote international financial stability, particularly by coordinating efforts of national financial authorities and international standard-setting bodies.

To improve its engagement with the FSB and enhance its financial stability work, in 2020, IOSCO established a Board-level Financial Stability Engagement Group (FSEG). This group has improved the coordination with the FSB, enabling IOSCO to engage more proactively on financial stability issues from a capital markets perspective. Moreover, its formation proved particularly timely given that the subsequent COVID-19 pandemic has given rise to financial stability risks.

The FSB also formed a Steering Committee on Non-bank Financial Intermediation (SCN) to provide strategic direction on NBFI-related initiatives and ensure more effective coordination with standard-setting bodies such as IOSCO. The group brings together market regulators, macroprudential authorities and international organizations. IOSCO encouraged the development of this group, which has helped cement senior level collaboration between IOSCO and the FSB.

[5] Argentina, Australia, Belgium, Brazil, Canada, Chile, China, the European Union, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

[6] https://**www.iosco.org/about/?subsection=cpmi_iosco.**

The FSB's governance comprises a Plenary and a Steering committee as the decision-making bodies under which there are three standing committees:

> The Standing Committee on Assessment of Vulnerabilities (SCAV);
> The Standing Committee on Supervisory and Regulatory Cooperation (SRC);
> The Standing Committee on Standards Implementation (SCSI).

IOSCO is an active member of all these committees and is represented in the FSB discussions by the IOSCO Chair, Vice-Chair, Secretary General and Deputy Secretary General.

FSEG

The timely creation of FSEG enabled IOSCO to play an important role in the international authorities and standard setting boards' initial response to the COVID-19 induced market turmoil and highlighted the benefits of a cooperative approach to addressing financial stability risks.

FSEG analyzed how MMFs withstood market stresses in the face of deteriorating liquidity in the commercial paper market and the nature and impact of the economic conditions that created these pressures. This resulted in the publication in November 2020 of a diagnostic report of the events that occurred in the MMFs sector during the market turmoil in March 2020. The work on MMFs then pivoted to the FSB SCN workstream on policy options to increase the resilience of MMFs.

The FSEG also conducted work analyzing the COVID-19 government support measures and their impact on the Credit Rating Agencies' (CRA) ratings and rating methodology. The working group analysis focused on the impact of government support measures across the four main rating categories: sovereign, financial institutions, non-financial corporate and structured finance.

In late 2020, through Committee 5´s Core Expert Group, the FSEG launched work examining the experience of open-ended funds (OEFs) during the COVID-19 induced market stresses. FSEG was specifically tasked to analyze OEFs that experienced redemption pressures during the COVID-19 induced market stresses in the first half of 2020.

FSB work in response to COVID Event

The impact of COVID-19 on financial markets and the authorities' response required closer cooperation between IOSCO and the FSB. In the first instance this involved the sharing of information about regulatory responses, and IOSCO made its COVID-19 repository available to the FSB, as well as feeding into their work monitoring regulatory responses.

The next stage of response was to analyze the effectiveness of COVID-19 related policy responses and options. IOSCO, through the BaFin of Germany chair, participated in the FSB workstream and drew on board members experiences and views to ensure that the final report adequately addressed the securities market experience and perspective.

The crisis presented challenges for emerging markets and given its broad membership and expertise in this area IOSCO shared its perspective with the FSB.

Ongoing FSB Work

In 2020, FSB work was heavily focused on key issues for IOSCO (many of which were also IOSCO Board priorities) in particular: financial benchmarks reform, asset management, crypto assets and stablecoins, market fragmentation, cyber security and outsourcing and third-party relationships and the response to the COVID-19 pandemic. Some of the more important FSB working groups that IOSCO participated in during 2020 included:

> **Cyber risk:** Cyber incidents pose a threat to the stability of the global financial system, and the remote working environments during the pandemic heightened the need for attention. To address these risks IOSCO participated in the FSB working Group on Cyber Incident Response and Recovery (CIRR).
> **Market fragmentation** is a concern shared by the FSB and IOSCO. IOSCO's Follow up Group conducted work to address market fragmentation issues in conjunction with the FSB and in 2020 IOSCO published its *Good Practices on Processes for Deference.*
> **Crypto Assets:** In 2020 IOSCO continued to participate in the crypto-asset work and in particular the FSB Regulatory Issues on Stablecoins Group with the aim of providing a capital markets perspective to FSB work. In March 2020, the IOSCO Board published the Stablecoins Report. Similarly, IOSCO shared its consultation report on *Crypto Trading Platforms with the G-20.*
> **Implementation:** IOSCO also engaged with the FSB SCSI, which covers implementation monitoring activities of G20 and FSB recommendations.

Report from the Chair of the Africa/Middle-East Regional Committee (AMERC)

Mrs. Nezha Hayat
> Chair of the Africa/Middle-East Regional Committee
> Chairperson, Autorité Marocaine du Marché des Capitaux (AMMC), Morocco

During 2020, IOSCO´s Africa/Middle-East Regional Committee (AMERC) worked on a range of regulatory and financial issues of interest to both the region and the wider IOSCO membership. Not surprisingly, AMERC also turned its attention to the impact of COVID-19 on member jurisdictions. Despite the fallout from the pandemic, the committee made progress on other major projects of importance to the region during the year.

In January 2020, AMERC held its 44th meeting in Doha, Qatar, hosted by the Qatar Financial Markers Authority Africa (QFMA). It was the only in-person meeting for AMERC in the year.

In Doha, members deliberated on the continuing decline in initial public offerings and market listings in Africa and the Middle East and the dearth of financing for small and mid-sized enterprises (SMEs). Members also analyzed the preliminary results of a survey on member priorities. The responses indicated that the three top priorities of members were to seize the opportunities and mitigate the risks arising from Fintech, strengthen capacity building and foster sustainable finance. Another ongoing priority was to support listings and other forms of long-term finance --particularly for SMEs-- to help drive economic growth. The then Secretary General, Paul Andrews, described IOSCO´s work on five key issues for the Board in 2020 --market conduct, sustainable finance, financial stability, asset management and market fragmentation—and their importance to IOSCO members.

Mr. Kaled Alhomoud of the Capital Markets Authority (CMA), Saudi Arabia, shared Saudi Arabia´s experiences in setting up a Fintech regulatory sandbox and a parallel equity market with less onerous eligibility requirements. The Qatar Financial Markets Authority (QFMA) explained their digital learning module, developed in partnership with the UK Chartered Institute for Securities and Investment (CISI), for a professional assessment of the AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) rules and regulations nationally and internationally for capital market professionals.

Guillermo Larrain of ChileCapital summarized the consultancy´s findings on market listings on the region's exchanges. Many of his recommendations coincided with those of the AMERC Working Group on Listings, which drafted a report in 2019 indicating that a vast majority of members had recorded ten or fewer listings over the previous five years. This conclusion implied that businesses in the region, particularly SMEs, continue to depend heavily on banks, and not on capital markets, for financing, thereby limiting the capacity for economic growth.

To strengthen market-based finance in the AMERC region, ChileCapital proposed that jurisdictions devise exit strategies for private equity through capital markets, review compliance costs for listed companies, particularly SMEs, and encourage family-owned companies to list on securities exchanges. Members exchanged ideas on the potential to develop their markets through use of fintech, enhanced information sharing among regulators and the introduction of new financial products.

AMERC members also discussed the potential risks emerging in their markets from crypto assets, cyber events and money laundering, among other developments. This information fed into IOSCO´s annual Risk Outlook, helping define the IOSCO Board´s work priorities.

The QFMA held its third annual conference directly following the AMERC meeting. Five panels of experts shared with attendees their views on regulation and innovation, the risks and regulatory challenges of crypto-assets, financial inclusion, sustainability and the protection of minority rights.

During the rest of the year, AMERC meetings were held in a virtual format. In a video call on May 2020, members shared experiences on the extensive measures they introduced to address the COVID-19-related implications for their markets.

Most members introduced measures that focused on business continuity and supporting operational resilience to ensure the orderly functioning of their markets and reduce heightened volatility. Members also acted to reduce the operational and regulatory burden on market participants and reminded corporates of the importance of timely reporting and disclosure.

In a September call, Mr. Andrews brought members up to date on IOSCO´s work on financial stability, notably involving Money Market Funds, Central Counterparties and margin requirements, market turmoil and debt overhang. AMERC members also discussed the new newsletter format, their capacity building needs and future initiatives. In addition, they showcased their rich activities and contributions to World Investor Week 2020.

In November, AMERC discussed non-COVID related issues and focused on committee priorities, such as sustainable finance, emerging risks and Fintech. In this regard members agreed to facilitate discussions on these areas through dedicated working groups.

One of the challenges facing AMERC jurisdictions ahead is to establish sound regulation and respond to the urgent need for regulators to retool and facilitate the emergence of sustainable financial instruments and adoption of innovative technologies in financial services while ensuring investor protection and addressing the associated risks.

Before finishing, I would like to stress how grateful I am to members for their valuable contributions to AMERC projects. Our work provides IOSCO with a regional perspective on issues that affect the full IOSCO membership. I look forward to working with AMERC members to strengthen cooperation across the region in the coming years, and I hope the COVID-19 pandemic passes soon, enabling us to regain a semblance of our pre-pandemic life. No matter what, members of the committee have already proven their commitment to work together to address the worst effects of the pandemic on the economy, markets and people of our jurisdictions.

Report from the Chair of the Asia-Pacific Regional Committee (APRC)

Mr. Tokio Morita
> Chair of the Asia-Pacific Regional Committee
> Vice Minister for International Affairs, Financial Services Agency, Japan

The Asia-Pacific Regional Committee serves as a forum for sharing information and promoting cooperation among securities market regulators in the Asia-Pacific region. The committee also provides a platform for APRC regulators to engage with their counterparts in other regions on cross-border issues and exchange views with the IOSCO leadership on work priorities.

Due to the pandemic, APRC members forewent physical meetings in 2020. Instead, they held six conference calls to discuss important issues for the region, many related to COVID-19, such as the potential regional cross border *spill-over-effects* of the pandemic. Despite the growing load of COVID-related work, the APRC advanced its ongoing priority projects on market fragmentation, sustainable finance and financial stability issues, inter alia. As these subjects are also priorities for the IOSCO Board, APRC continued to align its work with the Board´s policy initiatives in 2020 and inform IOSCO´s risk-analysis efforts from an Asia-Pacific perspective.

APRC members led IOSCO work streams in several cases, underscoring the region's significant contributions to IOSCO work.

To keep abreast of Board work, the APRC invited then IOSCO Secretary General Paul Andrews to its meetings during the year to update members on the latest Board discussions on such key matters as the creation of the Financial Stability Engagement Group (FSEG) and the Retail Market Conduct Task Force (RMCTF).

APRC Contribution to IOSCO Priority Work

In 2019, the IOSCO Board agreed to draw more on the expertise and experiences of its four regional committees in identifying risks, trends and vulnerabilities in capital markets. In response, the APRC prepared six short notes in 2020 on specific issues and their impact on the Asia-Pacific region for IOSCO´s Committee on Emerging Risks.

The notes covered two overarching themes. Three notes covered financial stability related issues, including the impact of zero or negative interest rates on capital markets, audit during events such as COVID-19 and risks arising from remote working at financial institutions. The other three notes focused on the operation of capital markets, including operational resilience, outsourcing and business continuity, increased market volatility and liquidity strains. IOSCO´s other three Regional Committees also contributed notes to the risk analysis, providing the organization with a far-reaching global view of risk development.

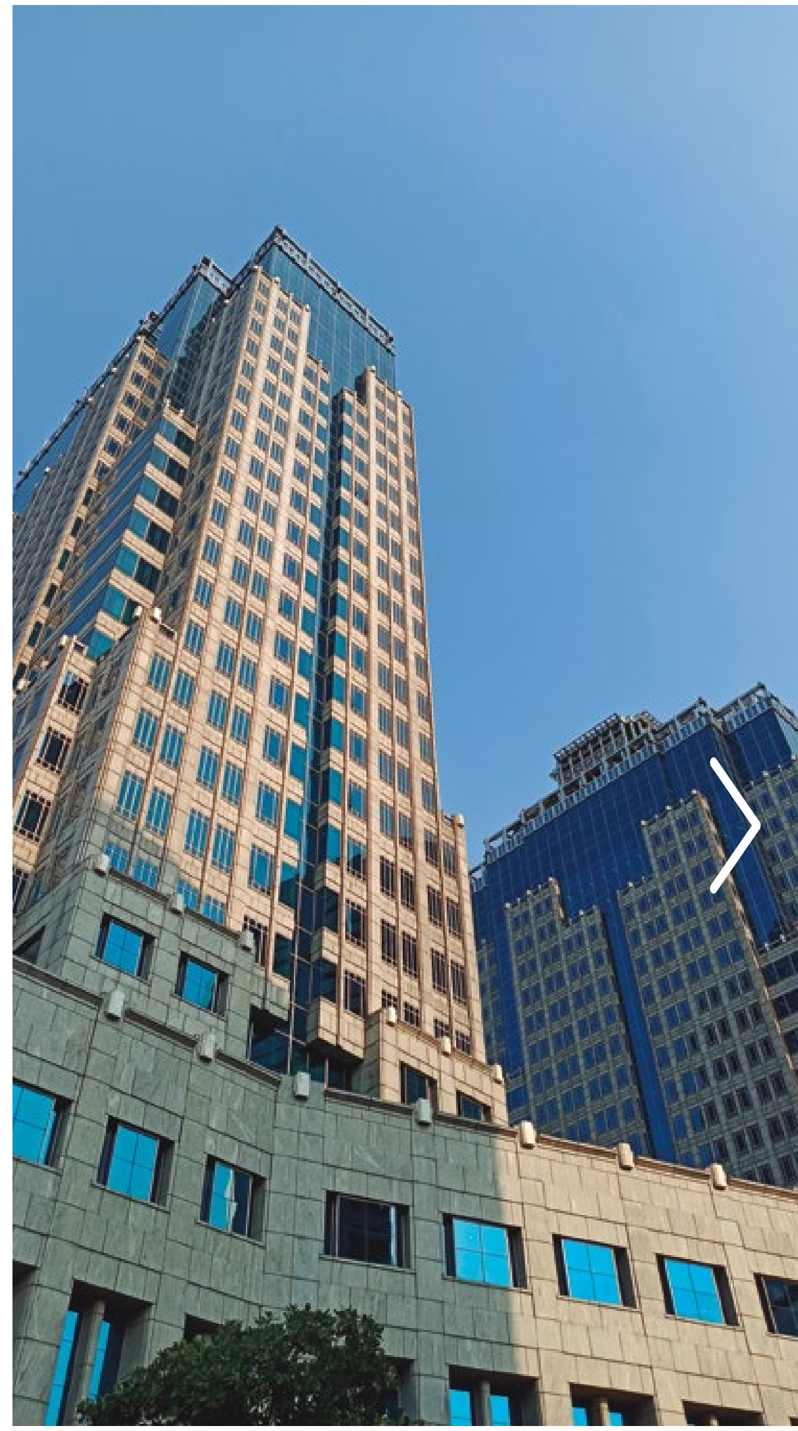
Cross-border regulation and market fragmentation have been standing agenda items at APRC meetings for several years. In 2015, IOSCO published a report titled IOSCO *Task Force on Cross-Border Regulation*, led by the then APRC Chair Ashley Alder of the Securities and Futures Commission (SFC) of Hong Kong. In June 2020, the IOSCO Follow-up Group to the former Task Force on Cross-border Regulation, known as the FUG and which the former APRC Chair Jun Mizuguchi of the Japan Financial Services. Angency (JFSA) co-chaired with Louis Morisset of the Autorité des marchés financiers (AMF) of Quebec, published 11 Good Practices on processes for deference to assist regulatory authorities in mitigating the risk of unintended, regulatory-driven market fragmentation. In addition to encouraging cooperation among securities regulators around the world, the report seeks to ensure efficient, safe cross-border investment flows to assist economies struggling with the impact of the pandemic.

An earlier, 2019 FUG report on *Market Fragmentation and Cross-border Regulation* cited the EU-Asia Pacific Forum -- an annual dialogue among members of the APRC, the European Commission and the European Securities and Markets Authority (ESMA) -- as an example of how to foster mutual understanding among international regulators and supervisors. Indeed, participants in this annual forum help identify and address cross-border issues as they emerge. Though no forum took place in 2020 due to the pandemic, the APRC held the meeting virtually in March 2021, following the meetings of Enforcement Directors, Supervisory Directors and the APRC Plenary.

Also, as part of the regional work on market fragmentation, the APRC held a dedicated meeting in January 2021 on Market Fragmentation. This discussion is part of the FUG's follow-up work to identify possible fragmentation and cross-border regulatory issues, the first such effort among IOSCO´s Regional Committtees. At the meeting, the Committee invited several members from the industry in the region and discussed three selected themes, namely (1) sustainable finance, (2) IBOR transition and (3) data protection and localization. The outcome of the discussion will be shared with the FUG and consolidated into the annual report to be presented to the autumn board meeting.

Strengthening supervisory cooperation is also an important element to prevent and address fragmentation. In this vein, the APRC created a working group in 2019 to enhance supervisory cooperation (ESCWG) among its members and inform IOSCO on policy issues regarding cross-border supervision. Among other things, to be detailed later, members agreed to hold a high-level pilot symposium on supervision in late 2021 to complement its annual Supervisory Directors' Meeting and enable participants to exchange information on supervisory approaches, insights, skills and experiences. The Australian Securities and Investments Commission (ASIC) and JFSA co-chaired the working group.

Discussing the issues around market conduct has long been another standing agenda items at the APRC meetings. At the suggestion of several APRC members, IOSCO established a Board-level task force on retail market conduct (RMCTF) in February 2020. The Board named APRC member ASIC as Co-Chair of the task force, together with the Central Bank of Ireland. It also chose risks exacerbated by the COVID-19 pandemic, such as misconduct risks and fraud and operational resilience, among its new work priorities for 2021-



2022. RMCTF was tasked with a two-step project: the short-term project to examine the misconduct risks, fraud and operational resilience exacerbated by the COVID-19 pandemic; and the medium term project to stock-take regulatory approaches regarding conduct in the retail market and prepare a report on the findings and an associated toolkit. The short-term report named *"Initial Findings and Observations about the Impact of COVID-19 on Retail Market Conduct"* was published in December 2020, based on input from the APRC and other Regional Committees and members.

Regional Collaboration

For the future, committee members agreed to examine the level of fundraising activities in equity/bond primary markets in their jurisdictions during the pandemic and the impact of policy measures on the outcome of fundraising in the Asia-Pacific region. The results of this project may prove helpful for IOSCO´s work on financial stability, market conduct and emerging risks.

The APRC's annual Supervisory Directors' Meeting and Enforcement Directors' Meeting, which usually precede the APRC plenary meeting, promote and facilitate dialogue and the sharing of experiences among members concerning supervisory and enforcement-related topics of relevance to the region.

In October 2020, the ESCWG discussed plans to enhance the Supervisory Directors' meeting, create a Supervisory College database and a Supervisory Multilateral Memorandum of Understanding, in addition to the plan to hold a pilot supervisory symposium. Supervisory Colleges provide a forum for regional securities regulators to increase the sharing of supervisory information at a more granular level; a Supervisory MMoU could help facilitate international cooperation and assistance and information exchange at a time of rapidly increasing cross-border activity in global securities and derivatives markets.

Other Work

In 2019, the APRC agreed to make sustainable finance a standing agenda item, in line with the IOSCO Board´s work priorities. In April 2020, it established an APRC working group on sustainable finance, led by the SFC of Hong Kong. The working group conducted a short survey to understand how APRC members address ESG and/or climate related issues and shared a report on survey findings in March 2021.

Finally, I had the honor of taking over as Chair in September 2020. I would like to thank all APRC members for electing me Chair. I believe our work, as described above, provides the wider IOSCO community with valuable insights. The collaboration and exchange of useful information among APRC members last year helped us all confront the challenges posed by COVID 19. At the same time, our collective cooperation strengthened each member´s response to the pandemic.

As APRC Chair, I am very much looking forward to continuing to work closely with all my APRC colleagues and other IOSCO members on important issues affecting global capital markets, including those that continue to arise from the COVID-19 pandemic to disrupt our lives.

Report by the Chairman of the European Regional Committee (ERC)

Mr. Jean-Paul Servais
> Chair of the European Regional Committee
> Vice Chair of the IOSCO Board
> Chairman of Belgium's Financial Services and Markets Authority (FSMA)

The European Regional Committee (ERC) serves as a forum for IOSCO´s European members to share their views on financial developments and regulatory matters that impact the region.

The ERC played a key role throughout 2020 in helping its members identify and address emerging risks in financial markets. Members shared their experiences grappling with COVID-19 and its impact on financial markets, economies and the lives of ordinary citizens.

Members' experiences with the pandemic underscored the importance of resilient market-based finance and coordinated efforts to mitigate risks and vulnerabilities in securities markets.

The COVID-19 pandemic made 2020 an exceptionally difficult year for everyone. But I am impressed at how members of the European Regional Committee rallied together to address the risks and challenges arising from the crisis, while moving forward with other priority work related to financial stability, systemic risk, rules of conduct and climate change, among other projects. In the end, 2020 was a productive year for both IOSCO and the ERC. IOSCO is emerging from the events strengthened, to such an extent that it has played a strong coordinating role in regulators' global response to developments caused by the pandemic.

ERC members led or co-led key IOSCO initiatives in 2020, including the Financial Stability Engagement Group (FSEG), the board-level Retail Market Conduct Task Force (RMCTF), the Financial Fintech Network, the Sustainability Network, the Sustainable Finance Task Force and policy work on leverage and other asset management issues. The ERC received regular feedback on these initiatives from its members who led the work.

Since evidence of benchmark manipulation emerged in 2012, European members have also been a driving force behind IOSCO´s leading work on global benchmark reform. The latest reforms seek to ensure a smooth transition to Risk-Free Rates.

As in past years, ERC members maintained a fluid dialogue on European market issues with the European Securities and Markets Authority (ESMA). ESMA provided regular updates on its coordination role regarding the EU supervisory response to the pandemic and on other EU-wide regulatory developments, many of which have implications that go far beyond European borders.

Committee members also produced issue notes that fed into the risk identification work of the IOSCO Committee on Emerging Risks, thereby supplementing the input from policy committees and providing a broader view of critical regulatory issues and the risks, trends and vulnerabilities emerging in global securities markets.

In February, ERC members gathered in London for their only in-person meeting of the year. The Committee discussed market developments regarding digital assets, including through outreach to experts in the field. Members also discussed regulatory challenges related to asset management and non-bank financial intermediation and related to sustainable finance.

In London, the Chair of the Sustainable Finance Network (SFN), Erik Thedéen of Sweden, updated the ERC on IOSCO´s work on non-financial reporting and sustainability-related disclosures. Members discussed the challenges posed by sustainable finance, such as the lack of common definitions for sustainable activities and the risk of greenwashing. Members agreed that securities markets could play an important role in supporting the global transition to a sustainable economy, and IOSCO can help coordinate regulators as they work towards that goal. IOSCO also plays a key role in monitoring the possible involvement of the IFRS Foundation in establishing comparable and consistent international standards for sustainability reporting. As Chair of the Monitoring Board of the IFRS Foundation, on behalf of IOSCO, I focussed the efforts of the MB on monitoring whether the envisaged IFRS initiative meets the needs of global capital markets and serves the public interest.

Also in February, the Central Bank of Ireland updated members on Non-bank Financial Intermediation (NBFI), most notably on the asset management sector and its potential impact on financial stability, currently a top priority of the international regulatory community. This debate on NBFI has led securities market regulators and central banks/prudential regulators to engage more intensively in determining and addressing the potential systemic risk of investment funds.

The ERC held three other meetings in 2020 using digital means. During these meetings, then Secretary General Paul Andrews informed the members on the various coordination initiatives taken by IOSCO during the pandemic event and the reprioritization of its work program.

At the ERC meeting in July 2020, the AMF France described the latest efforts of the FSEG to facilitate IOSCO work on financial stability and systemic risk and ensure that IOSCO effectively coordinates with the FSB and other standard-setters in addressing these risks, especially in relation to vulnerabilities linked to the pandemic. The Chair of the AMF France co-leads the FSEG with the Chair of the US CFTC. The work of the FSEG has helped IOSCO engage with the FSB in an effective way, both regarding data sharing as well as policy input.

Members were also updated on the issue of the availability and, if needed, use of liquidity management tools by funds during the pandemic, including the experience in the EU.

The Central Bank of Ireland, which co-leads the RMCTF with ASIC of Australia, described the market conduct issues caused by stress events such as the COVID-19 pandemic. Work in this area culminated in a report in December 2020 that identifies the common retail misconduct risks in the financial services industry during the pandemic and sets out measures to assist authorities in responding to the challenging environment. The ERC supports the continued work by the RMCTF examining the impacts of COVID-19 on the risks of misconduct and fraud.

I would like to close with a show of gratitude for members' support to ERC projects. I would also like to warmly thank former Secretary General Paul Andrews for his much appreciated attentiveness to an inclusive IOSCO and for the time and effort he dedicated in 2020 to keeping the ERC informed of Board's activities and projects.

Report by the Chairman of the Inter-American Regional Committee (IARC)

Mr. Antonio Quesada
> Chair of the Inter-American Regional Committee
> Vice President, Regulatory Policy, Comisión Nacional Bancaria y de Valores (CNVB), Mexico

In 2020, the COVID-19 pandemic cast a shadow over the global economy and financial system. Members of the Inter-American Regional Committee held four virtual meetings during the year to discuss the repercussions of the virus for the region and how best to address the challenges it raised.

During their virtual meetings, IARC members also shared their experiences regarding other important policy and regulatory matters related to financial technologies, market fragmentation, retail market conduct issues and sustainable finance, among others.

Despite the pandemic, IARC succeeded at providing valuable information from a regional perspective for IOSCO´s policy work and risk-analysis. Because IARC members are from both developed and emerging jurisdictions, their meeting discussions are enhanced by a broad range of opinions and experiences regarding developments in global capital markets. Increasingly, IOSCO depends on the expertise and geographic reach of its four Regional Committees to gain a global perspective of market trends and issues. In particular, IOSCO´s Committee on Emerging Risks draws on the Regional Committees for support in its risk identification work, which the Board then uses to determine its work priorities.

In 2020, IARC members prepared three issue notes for the IOSCO Risk Outlook. The first note on cybersecurity examined how adequate regulatory frameworks and cooperation among regulators can help protect markets from cyberattacks and safeguard investor confidence. The second note indicated that common regulations and supervisory and enforcement rules regarding Fintech help prevent regulatory arbitrage that can undermine market integrity. Again, the note stressed the importance of regulators working closely together to define adequate regulatory frameworks.

The final note analyzed the political risks of the pandemic for debt-laden countries struggling to raise the funds needed to address their health and economic crises.

To maintain a fluid dialogue between the Board and IARC members, the then IOSCO Secretary General, Paul Andrews, attended IARC virtual meetings in 2020 and explained the Board´s latest policy initiatives and other developments at IOSCO. At IARC´s first virtual meeting of the year in April, Mr. Andrews explained the measures taken by IOSCO and its members to address the pandemic, such as remote working, the reprioritization of policy work to make available more resources for COVID-related initiatives and the creation of an IOSCO repository of information on regulatory measures adopted by members in response to the pandemic.

At our virtual meetings in May and June, Mr. Andrews described the objectives and work of the Financial Stability Engagement Group (FSEG), an important new group led by the US CFTC, an IARC member, and the French AMF. Created in February 2020, the FSEG engages with the Financial Stability Board on efforts to address financial stability issues related to COVID-19

and non-bank financial intermediation (NBFI), among others. IOSCO lends a capital markets perspective to these discussions, whose conclusions are of vital importance to IARC and other IOSCO members.

At our May and June meetings, members shared experiences regarding measures taken to address the implications of the COVID-19 pandemic for their jurisdictions. They also analyzed the impact of central bank interventions on the region and the interconnection between banks and non-bank financial entities. These sessions proved useful to members grappling with crises on various fronts, from health and employment to economic and financial.

In September, IARC organized a joint virtual meeting with COSRA --the Council of Securities Regulators of the Americas-- a forum for high level discussions on regulatory and supervisory issues related to the securities markets in the Americas. Members agreed that IARC should continue to strengthen the relationship among members of IARC, COSRA, the North American Securities Administrators Association (NASAA) and the Ibero-American Institute for Securities Markets (IIMV), to give each organization a broader view of the issues and challenges facing securities regulators and supervisors in the region.

At the joint IARC/COSRA meeting, participants described their regulatory measures and policy responses to the COVID-19 virus, including relief measures implemented in the different financial sectors and coordination mechanisms introduced by financial agencies to address the economic and financial impacts of the pandemic, among other things.

The CNBV of Mexico updated the meeting on the results of a survey conducted among IARC members, which revealed that most members are in a position to regulate Fintech and cybersecurity in their jurisdictions. In response to questions on capacity building, members indicated an interest in training programs on Fintech, regtech, suptech, cybersecurity, crypto assets, data analytics, artificial intelligence and ESG. The survey helps IARC better meet the needs of its members.

I would like to thank members' active participation and involvement in the IARC. This engagement is what allows us, as a region, to foster mutual collaboration among us, and it facilitates a productive discussion on emerging risks and vulnerabilities in the region. I am really proud of the synergies we have created, and I am sure we will continue building a forum for a sound exchange of experiences and lessons learned in each member jurisdiction.

Assessment Committee

Committee Chair:**Ms. Sharon Kelly, (Québec, AMF)**
Committee Vice Chair: **Mr. Liam Mason, (New Zealand, FMA)**

The IOSCO Assessment Committee (AC) monitors implementation of IOSCO Principles and Standards. It recognizes that IOSCO´s effectiveness as a standard setter ultimately lies in the effective implementation of the Objectives and Principles of Securities Regulation and other IOSCO standards.

Progress on Thematic Reviews

Thematic review on Business Continuity Plans (BCPs) with respect to Intermediaries and Trading Venues

In November 2018, the IOSCO Board approved a mandate for the AC to conduct a thematic review (Review) of the 2015 IOSCO reports on *Mechanisms for Trading Venues to Effectively Manage Electronic Trading and Plans for Business Continuity* (Trading Venues Report) and on *Market Intermediary Business Continuity and Recovery Planning (Market Intermediaries Report).*

IOSCO has undertaken this Review in response to the rapid rise of new technologies in securities markets, which have created risks capable of potentially disrupting trading venues and intermediaries. These vulnerabilities underscore the importance of effective BCPs, supported by adequate regulatory frameworks. Thirty-six IOSCO members from thirty-three jurisdictions participated in the Review.

The main objective of the Review was to assess the consistency of implementation of the two Recommendations and the two Standards set forth in the Trading Venues Report[7] and the BCP Report,[8] respectively, and describe the legislative, regulatory and policy measures taken by participating jurisdictions: In addition, in 2020, the Review Team invited the participating jurisdictions[9] to provide COVID-19 information related to BCP, which will not be used for rating purposes but rather as a separate section in the report.

The report was published in April 2021. Key findings and observations from the Review include information about the level of implementation. Thirteen Participating Jurisdictions were found to be "Fully Consistent" with the two Recommendations and the two Standards. Some gaps or shortcomings of different degrees of materiality were found in the other Participating Jurisdictions for one or more of the Recommendations or Standards. While this Review was underway, the COVID-19 pandemic impacted IOSCO members, and public health measures in many countries prompted businesses and governments to activate BCP arrangements. The report describes how the Participating Jurisdictions responded in these cases.

Thematic Review on consistency in implementation of Money Market Funds reforms

In 2019, the AC initiated a review of IOSCO's Money Market Funds (MMF) reforms. The review's objectives were to assess the consistency of the implementation of seven out of 15 Policy Recommendations included in the 2012 IOSCO report on MMFs, describe the contents of the legal and regulatory frameworks adopted in jurisdictions with significant MMF markets and assess them against IOSCO's 2012 Policy Recommendations for MMFs (the "Policy Recommendations"). The Review Team developed an Assessment Methodology and survey questionnaire for this review, which was sent to nine participant jurisdictions accounting for more than 90% of global MMFs. The Review Team analyzed the responses and prepared a draft report, which the Board subsequently approved. The report was published in November 2020, simultaneously with a diagnostic report analyzing the events that occurred in the MMFs sector during the market turmoil in March 2020.

The Thematic Review report found that Participating Jurisdictions had generally implemented policy reforms to strengthen the frameworks applicable to MMFs; and that policy measures were generally in line with the assessed Policy Recommendations. The report also found that the assessed jurisdictions had no uniform definition of what constitutes a "Money Market Fund". The report concluded that, since the publication of the Policy Recommendations, the MMF markets have continued to grow-- in some instances significantly-- in some large jurisdictions (US and China) and in a more limited manner in others (the EU).

Thematic Review of IOSCO Liquidity Risk Management Recommendations for Collective Investment Schemes

In February 2020, the Board approved the project specifications of a thematic review for the implementation of the *2018 Liquidity Risk Management Recommendations for Collective Investment Schemes ("LRM Review").* IOSCO developed these recommendations as part of the effort to take forward the FSB´s 2017 recommendations to address structural vulnerabilities arising from asset management activities. The Review covers 14 participating jurisdictions (Participating Jurisdictions), which collectively comprise over 92% of assets under management (AUM) globally.

Participating Jurisdictions were selected based on (i) relevant market size (including consideration of overall AUM and domicile of the largest asset managers), and (ii) regional representation. The Review also covers 12 additional jurisdictions (Additional Jurisdictions) for information about whether relevant domestic regulatory measures have been implemented. In addition, to assess how implementation of the Recommendations has furthered the desired outcomes of the 2018 Liquidity Risk Management Recommendations for Collective Investment Schemes, the LRM Review will also review Market Participants (MPs). The AC established the Review Team and finalized the Assessment Methodology and Questionnaire for regulators and MPs. Alongside the Thematic Review, IOSCO and the Financial Stability Board (FSB) began a joint analysis (the "Joint Analysis") of the availability, use and impact of liquidity risk management tools for open-ended funds (OEFs). The Joint Analysis is examining the experience of OEFs that faced redemption pressures during the COVID-19 induced market stresses of March and April 2020; the availability, use and impact on the broader market of liquidity risk management tools and how these were linked to the liquidity of underlying assets.

To inform both the LRM Review and the Joint Analysis, the AC issued an MP questionnaire with a section of questions for the LRM Review and another set of questions for the Joint Analysis. In March 2021, the AC published a press release with a link to the survey for MPs and distributed the Assessment Methodology and Questionnaire to the 14 Participating Jurisdictions and the 12 Additional Jurisdictions in March 2021.

IOSCO Standards Implementation Monitoring (ISIM) for Principles Relating to the Regulator

In June 2019, the Board approved the project specifications for conducting an ISIM project on the implementation of Principles Related to the Regulator (Principles 1-5)[10] across IOSCO members. The AC approved the Assessment Methodology and the survey questionnaire in September 2019. Fifty-six jurisdictions participated in this review, and the report is expected to be published during the second half of 2021.

Contributions to G20 and Financial Stability Board updates on priority reform areas

The AC contributes to the annual updates on progress by FSB jurisdictions in implementing the reforms for money market funds and securitization —priority areas for the G20 and FSB. The reforms are part of an international effort to strengthen the structural resilience of capital markets.

[7] Recommendation 1 to Regulators: Regulators should require Trading Venues to have in place mechanisms to help ensure the resiliency, reliability and integrity (including security) of critical systems; Recommendation 2: Regulators should require Trading Venues to establish, maintain, and implement as appropriate a BCP.

[8] Standard 1: Regulators should require market intermediaries to create and maintain a written business continuity plan identifying procedures relating to an emergency or significant business disruption; Standard 2: Regulators should require market intermediaries to update their business continuity plan in the event of any material change to operations, structure, business, or location and to conduct an annual review of it to determine whether any modifications are necessary in light of changes to the market intermediary's operations, structure, business, or location.

[9] This Thematic Review is an Implementation Assessment (or Level 2) Review.

[10] https://www.iosco.org/library/pubdocs/pdf/IOSCOPD561.pdf

In this regard, IOSCO contributed to the FSB's *2020 report on the implementation and effects of the G20 financial regulatory reforms*, published in November 2020.[11]

Revision and simplification of the IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation and updating the IOSCO Principles.

In June 2019, the Board approved project specifications for updating the IOSCO Principles and simplifying the Methodology. This project stems in part from an AC commitment to the Board to conduct a periodic review to ensure that the Principles and Methodology are kept up to date.

Further to the re-prioritization of IOSCO work due to the pandemic, this project has been put on hold.

Collaboration with the FSB on the IMN Survey

In 2015, IOSCO began collaborating with the FSB's Implementation Monitoring Network (IMN) on the annual IMN survey of FSB jurisdictions. This work considers the status of implementation of G20/FSB post-crisis recommendations in areas not designated as a priority under the FSB Coordination Framework for Implementation Monitoring.

The AC is responsible for analyzing and reporting on several key areas of the survey relating to reforms in securities markets, including hedge funds, securitization, oversight of credit rating agencies, enhancing market integrity and efficiency; and regulation and supervision of commodities markets.

Conclusion

I wish to highlight that during my tenure as Chair of the Assessment Committee, I continue to be committed to contributing to IOSCO's work to develop sound and sustainable capital markets worldwide.

In 2020, little would have been accomplished in this area had I not benefitted from the unwavering support and collaboration of AC members, the AC Vice Chair and the IOSCO General Secretariat. I wish to express my appreciation to them for their dedication and hard work in accomplishing the AC initiatives. I am particularly grateful to Liam Mason, the AC Vice-Chair, and to Raluca Tircoci-Craciun of the General Secretariat for their dedication and diligence which proved to be invaluable to the work of our committee.

[11] https://www.fsb.org/2020/11/fsb-publishes-annual-report-on-implementation-and-effects-of-financial-regulatory-reforms-2/

The IOSCO MMoU/EMMoU Screening Group

SG Chair:
Mr. Jean-François Fortin (Québec AMF)
SG Vice Chair:
Mr. Andrew Cotterell (UK FCA)

Securities regulators around the world use the IOSCO Multilateral Memorandum of Understanding[12] (MMoU) and its updated version, the Enhanced IOSCO MMoU (EMMoU), to help ensure effective global securities markets regulation. The MMoU and EMMoU represent a common understanding of how signatories should consult, cooperate and exchange information to strengthen regulatory enforcement in securities markets.

Since 2005, IOSCO has required securities regulators with primary responsibility for securities regulation in their jurisdictions to sign the IOSCO MMOU to become ordinary members, underscoring the importance of this standard for enforcement purposes. By facilitating information sharing and cooperation, the MMoU supports IOSCO members in their efforts to detect and prosecute fraud and other illegal conduct, deter wrongdoing and prevent regulatory arbitrage.

The MMoU Screening Group reviews applications from authorities seeking to become MMoU or EMMoU signatories and is responsible for ensuring all requirements are met. When requested, the Screening Group also conducts preliminary assessments of draft legislation prepared by applicants. The Screening Group comprises Verification Teams that perform an assessment of applicants' compliance with the MMoU or EMMoU and report their findings to the Screening Group for further assessment and approval.

In discharging its duties, the Screening Group is supported by the IOSCO General Secretariat staff which carries out formal checks on MMoU and EMMoU applications for completeness and clarity. The Secretariat also offers guidance and technical assistance to non-signatories to help them advance their applications.

MMoU Signatories

As of 31 December 2020, there were 124 signatories to the MMoU (120 ordinary members and four associate members), out of 153 eligible members (129 ordinary and 24 associate).

Nine ordinary members out of 129 remained non-signatories to the MMoU at the end of 2020, eight of which were listed on Appendix B. Appendix B lists ordinary members who have applied to become MMoU signatories (unsuccessfully), but who have also formally expressed their commitment to seek the legislative and administrative changes necessary to meet the standards of the MMoU. One ordinary member remained in the non-signatory, non-Appendix B listed category, given that it had not yet committed to seeking legislative changes necessary to achieve MMoU compliance.

Enhanced MMoU

Since it was established in 2002, the MMoU has been the pre-eminent standard for international enforcement cooperation and information sharing among securities regulators. The MMoU facilitates cooperation among IOSCO members in their efforts to detect and prosecute fraud and other illegal conduct, deter wrongdoing and prevent regulatory arbitrage.

Since 2002, financial markets have undergone sweeping changes, driven by new technologies, regulation and the growing role of market-based finance in the global economy. In 2017, IOSCO established an enhanced MMoU to respond to the impact of these developments on regulators' enforcement efforts. The EMMoU provides for additional enforcement powers that IOSCO believes are necessary for continuing to safeguard the integrity and stability of capital markets, protect investors and detect and deter illegal activity.

The Secretariat began accepting EMMoU applications from members in April 2017. Since then, the Secretariat has received EMMoU applications from 26 jurisdictions (two applicants have withdrawn their submissions); 17 of those jurisdictions were EMMoU signatories by the end of 2020. Of the remaining seven jurisdictions, two became signatories in April 2021, and the applications of the remaining five are currently under Screening Group assessment.

The following four jurisdictions signed the EMMoU in 2020:

- Financial Services Regulatory Authority (FSRA), Abu Dhabi
- Astana Financial Services Authority (AFSA), AIFC, Nur-Sultan
- Dubai Financial Services Authority (DFSA), DIFC, Dubai
- Superintendencia del Mercado de Valores (SMV), Peru

The following two jurisdictions signed the EMMoU in April 2021:

- Financial Markets Authority (FMA), New Zealand
- Securities Commission of the Republic of Srpska (SECRS), Republic of Srpska

All authorities that have submitted EMMoU applications are signatories to the MMoU.

The MMoU will remain in effect for as long as any signatory wishes to use it. While the MMoU remains in effect, jurisdictions will co-operate with their counterparts under the instrument to which they are both signatories. The long-term expectation, however, is for all MMoU signatories to migrate to the EMMoU.

MMoU Statistics

IOSCO collects annual statistics on how signatories use the MMoU to exchange information. These statistics help IOSCO track the use of the MMoU while determining which jurisdictions are the largest users globally, and which are the largest within each of the four IOSCO regions. For many years, these statistics were collected manually. In 2017, the Secretariat, supported by the Screening Group, automated statistics collection to improve efficiency and ensure data accuracy. This gave birth to the automated MMoU Statistics System currently used.

Statistics collected over the years indicate that the growing number of signatories has led to greater cross-border cooperation, enabling regulators to advance more enforcement matters. In 2006, a total of 526 requests for assistance were made pursuant to the MMoU. By the end of 2020, the number of requests had reached 4,667 (a nearly nine-fold increase in under 20 years). This upward trend is expected to continue as more members become signatories, and as more signatories avail themselves of these information-sharing mechanisms. This figure also includes requests for assistance made under the EMMoU. In 2020, there were 1,620 exchanges of information under the EMMoU between 14 of the 17 EMMoU signatories.

[12] The formal name for the MMoU is the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

IOSCO Capacity Building

In 2020, IOSCO continued to work intensively to meet the capacity building needs of its members, particularly those from emerging market jurisdictions. By strengthening the regulatory and supervisory proficiency of its members, IOSCO aims to ensure their ability to implement globally agreed standards and maintain robust securities markets that help drive sustained economic growth.

Because of the global COVID-19 pandemic, most of IOSCO´s capacity building activities in 2020 were conducted in a virtual format. The IOSCO Asia-Pacific Hub in Kuala Lumpur swiftly adapted its work program to the new environment and organized a series of webcasts on regulatory and other issues arising from COVID-19. Furthermore, IOSCO members had access to a host of virtual education and training events organized by the IOSCO General Secretariat and the Affiliate Members Consultative Committee.

Education and Training Programs

IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets

In 2016, IOSCO joined forces with the Program on International Financial Systems at Harvard Law School (PIFS-HLS) to launch the first edition of the annual *Global Certificate Program for Regulators of Securities Markets*, an executive education program tailored exclusively to the needs and circumstances of securities markets regulators.

The initiative is divided into two phases: a two-week session at IOSCO´s Madrid headquarters that covers the fundamentals of securities regulation and compliance, and a second one-week session at Harvard Law School in Cambridge, Massachusetts, focused on current and future regulatory challenges and emerging issues. Speakers are experienced securities regulators, academics specialized in financial markets and others with extensive legal or technical knowledge of international financial systems.

Because of COVID-19, both Phase I and Phase II of the 2020 program were cancelled. As an alternative, IOSCO and PIFS-HLS offered a ***Virtual Training Program on the Role of Securities Regulators Amidst COVID-19*** on 7-10 December 2020. This program targeted mid-level securities regulators and focused on emerging global policy issues. Almost 100 IOSCO members from over 60 jurisdictions participated.

IOSCO/PIFS-Harvard Law School Global Policy Development Seminar

In October 2019, the IOSCO Board approved the proposal for PIFS-HLS and IOSCO to organize, on a pilot basis, a Global Policy Development Seminar (GPDS). The GPDS will focus on cutting-edge policy issues, and lecturers will include leading global experts from academia, private-sector and former and existing policymakers. The target audience will be senior policy makers from capital markets authorities from across the globe that are addressing advanced issues in capital markets. PIFS-HLS and IOSCO had initially planned to organize this pilot program at Harvard Law School in September 2020. Given the circumstances, and as an alternative, PIFS-HLS and IOSCO hosted a ***Virtual Roundtable on COVID-19 Impact on Capital Markets and Effective Policy Responses*** on 29 September 2020. Speakers included Barbara Novick, Vice Chairman and founder of BlackRock; Jean-Claude Trichet, former President of the European Central Bank; Heath Tarbert, the then Chairman of the U.S. Commodity Futures Trading Commission and Hal Scott, Emeritus Nomura Professor of International Financial Systems at Harvard Law School. Hal Scott and Paul Andrews, the then IOSCO Secretary General, led the discussion. The audience for this virtual roundtable was limited to senior regulators, and all IOSCO Board members and Chairs/Vice-Chairs of Board Committees and Task Forces were invited to attend.

IOSCO Seminar Training Programs (STP)

For over 20 years, IOSCO has organized an annual three to four-day seminar training program at its headquarters in Madrid. Designed for junior to mid-level securities regulators, the program typically focuses on topics that reflect members´ needs as identified in training needs analyses. Past training seminars have looked at *investment funds regulation and supervision, protecting investors through supervision, inspections and examinations* and *investor education and protection.* In 2020, the 22nd STP was titled *RegTech/SupTech: Using Technology for Regulatory and Supervisory Responsibilities* and was delivered in a virtual format on 14-16 October. Some 230 members from 85 jurisdictions attended the program, which featured presentations on the evolution of Fintech and IOSCO´s Fintech work, case studies with practical examples of how regulators apply technology in their work and panel sessions on the use of blockchain technology, artificial intelligence and machine learning.

Joint IOSCO-Financial Stability Institute (FSI) Conferences

Since 2006, IOSCO has organized an annual three-day training program with the Financial Stability Institute of the Bank for International Settlements. The program generally covers trading book issues, market infrastructures and other topics of common interest on a cross-sectoral basis. Securities regulators and bank supervisors are eligible to attend.

The 15th IOSCO-FSI Conference in 2020 discussed the impact of COVID-19 on financial markets and market infrastructures, digital innovation, as well as the remaining challenges in transitioning away from IBORs and the progress on the LIBOR *end game*. The program took place on 19-20 November 2020 in a virtual format. Some 170 securities regulators and banking supervisors from 90 jurisdictions attended the event.

IOSCO AMCC Training Seminars

IOSCO´s Affiliate Members Consultative Committee (AMCC) organizes an annual training seminar that is open to all IOSCO members. This seminar offers regulators and industry representatives the opportunity to exchange ideas and experiences and consider regulatory issues and events from different market perspectives.

Close to 300 members from 100 jurisdictions participated in the virtual 13th edition of the IOSCO AMCC Regulatory Staff Training Seminar on 4-5 November 2020. The Training Seminar featured panels, case studies and presentations on a variety of topics including retail investor protection, enforcement, emerging markets, remote supervision and derivatives.

Webinar on Data Privacy and the IOSCO Administrative Arrangement

The IOSCO Secretariat, with the support of the IOSCO Monitoring Group (MG) Chair, organized a webinar on "Data Privacy and the IOSCO Administrative Arrangement" on 29 October 2020. The webinar sought to promote knowledge about data privacy and the IOSCO Administrative Arrangement (AA) in the context of enforcement cooperation. The webinar featured discussions around the purpose, scope, safeguards and oversight of the AA, the perspective of the European Economic Area (EEA) authorities on data privacy in cooperation and enforcement matters, why signing the AA is important, who should sign and how to sign the AA. The webinar was well attended. More than 100 members from more than 50 authorities, all of them signatories to the IOSCO MMoU, joined the event.

Webinar on AML/CFT Supervision in the Securities Sector During the COVID-19 Pandemic

On 6 May 2020, the Commission de Surveillance du Secteur Financier of Luxemburg (CSSF) hosted a Webinar on AML/CFT supervision in the securities sector during the COVID-19 pandemic. The CSSF and IOSCO jointly organized the event, which was attended by approximately 50 participants from more than 20 jurisdictions. Marco Zwick and Guilhem Ros of the CSSF described several new and emerging ML/TF threats resulting from COVID-19 as well as vulnerabilities in the financial sector and possible mitigating actions. CSSF also outlined its general approach to AML/CFT supervision during the COVID-19 pandemic.

IFIE-IOSCO Global Investor Education Conferences

The 11th edition of the Global Investor Education Conference, jointly organized by the International Forum for Investor Education (IFIE) and IOSCO, was held in a virtual format. The organizers made available online content and on-demand sessions in early December 2020 and provided further material in the first quarter of 2021. The theme of the conference was *Financial Capability at a Crossroads: Building Financial Resiliency Programmes and Strategies for a Changed World.*

IOSCO Capacity Building Online Toolkit

The IOSCO Capacity Building Online Toolkit was launched in March 2016. The purpose of the Online Toolkit is to assist IOSCO members in their efforts to develop and implement effective regulatory frameworks for capital markets regulation. The Online Toolkit has been designed to offer IOSCO members information in one readily available place, to inform and guide their own regulatory efforts. Initially, there were two components to the Online Toolkit – Risk Based Supervision and Enforcement. In 2020, the toolkit was expanded to include four new components: Secondary Markets; Market Infrastructures; Collective Investment Schemes and Intermediaries. The Online Toolkit is being used extensively by members – by the end of 2020 more than 1,000 unique users from over 200 IOSCO member organizations.

IOSCO Asia-Pacific Hub

IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative allows IOSCO to offer capacity building activities to securities markets regulators in the region and beyond.

Under the supervision of the IOSCO Secretary General, the Hub enables IOSCO to leverage on the experience, expertise and infrastructure of its membership to promote market development and enhance connectivity and inclusiveness in the Asia Pacific region. It also serves to strengthen the regulatory and supervisory capacity of the region´s securities regulators.

Since becoming operational in mid-2017, the Hub has initiated a wide variety of capacity building activities. To date, some 700 IOSCO members from over 70 jurisdictions across all regions have benefitted from the Hub's in-person programs and live webinars, and many more have accessed the on-demand webcasts on the Hub´s website.

In view of the global health crisis, the Hub swiftly adapted its 2020 work program and organized a series of webcasts.

Webcast on COVID-19 and Financial Markets (May 2020)

The Hub organized a series of webcasts on regulatory and other issues arising from COVID-19. The first webcast in this series is an interview with Richard Record, Lead Economist in the World Bank Group's Macroeconomics, Trade and Investment Global Practice, where he discusses the impact of COVID-19 on regional economies and markets, key sources of risks in the Asia Pacific region and the policy responses to them, outlook scenarios for regional financial markets, expected changes to the financial market landscape, and priority areas for regulatory authorities to monitor and assess.

Webcast on Implications of COVID-19 on Financial Reporting and Disclosures (June 2020)

The second webcast in the COVID-19 series is an interview with Mohamed Raslan Abdul Rahman, Chairman of the Malaysian Accounting Standards Board, and Douglas Niven, Senior Executive Leader of Financial Reporting and Audit at the Australian Securities and Investments Commission.

The two experts discuss the key challenges faced by issuers and investors and the regulators´ responses to these challenges, such as providing flexibility in financial reporting. They also discuss the important role of auditors and the hurdles they face in delivering high quality audits, as well as the COVID-19 implications for interim reporting and accounting for subsequent events. Furthermore, they talk about the application of IFRS9 regarding accounting for expected credit losses.

Webcast on Application of Blockchain Technology in Financial Markets (July 2020)

This webcast is a conversation between Henri Arslanian, Chairman of the Fintech Association, Hong Kong and Fintech and Crypto Leader for Asia, PriceWaterhouse Coopers; Nelson Chow, Chief Fintech Officer (Fintech Facilitation Office), Hong Kong Monetary Authority, and Chin Wei Min, Executive Director, Digital Strategy and Innovation, Securities Commission Malaysia. The three experts discuss how blockchain technology is used in financial markets, the latest developments and further opportunities in its application for capital markets.

Webcast on Implications of COVID-19 on Cyber Security (September 2020)

COVID-19 poses cyber security challenges, ranging from those arising from remote working arrangements to cyber scams targeting vulnerable investors. The webcast with Brian Hansen, Executive Director for Asia Pacific at the Financial Services Information Sharing and Analysis Center (FS-ISAC), and Lim Tong Lee, Deputy Director and Head (Division II), Technology & Cyber Risk Supervision, Monetary Authority of Singapore (MAS), discusses of cyber-attacks during COVID-19 and prevalent types of cyber incidents; measures undertaken to safeguard cyber resilience; risks arising from remote working arrangements; regulatory cooperation and information sharing and cyber hygiene standards.

Webinar on Implications of COVID-19 on Retail Investor Behavior and Protection (November 2020)

In conjunction with IOSCO World Investor Week 2020, the webinar featured a discussion between Cathie Armour, Commissioner of the Australian Securities and Investments Commission (ASIC) and José Alexandre Vasco, Director of the Office of Investor Protection and Assistance at the Securities and Exchange Commission (CVM) Brazil. Moderated by Dr Joanne Yoong, a Behavioral Economics expert from the University of Southern California and the National University of Singapore, the webinar covered the changing landscape of the retail market and investor behavior in light of COVID-19, risks and challenges for retail investor protection and key regulatory measures taken in response to these risks.

Webcast COVID-19: Role of Securities Regulators in Sustainable Finance (November 2020)

The webcast features a discussion among experts on Sustainable Finance in the context of COVID-19, challenges in the development of Sustainable Finance, including those relating to disclosures and sustainability assessment of companies, and the role of securities regulators in this area.

The discussants in this webcast are Erik Thedéen, Director General of Finansinspektionen (FI) Sweden and Chair of IOSCO's Sustainable Finance Task Force; Amar Gill, Managing Director and Head of Investment Stewardship for Asia Pacific at Blackrock and Ephyro Luis Amatong, Commissioner from the Philippines Securities and Exchange Commission.

Technical Assistance Program

IOSCO's Technical Assistance Program (TAP) is designed to provide modular technical assistance programs to help regulators implement IOSCO Principles and meet the requirements of the IOSCO MMoU.

The modules serve as the basis for delivering technical assistance programs that are tailored to members' needs. The TAP is organized in three modules covering: onsite inspection manuals; enforcement manuals and the MMoU.

In addition to the modules, the TAP offers workshops on the practical application of the onsite inspection and enforcement manuals. The objective is to encourage members to use the manuals in their daily activities to enhance the efficiency and effectiveness of supervision and enforcement in the participating jurisdictions.

In March 2020, the Capital Market Authority of Oman was scheduled to host the Technical Assistance Workshop on Developing On-Site Inspection Manuals for GEMC members from the Africa/Middle-East region. Due to COVID-19 this workshop was cancelled and rescheduled and held in a virtual format in March 2021.

Module 1 – Onsite Inspection Manuals

Here, the aim is to develop manuals for IOSCO members in different regions to use during the on-site inspection process for the supervision of investment firms and asset managers. The manuals include, among other things, the templates and the steps for the inspection team to follow when preparing, performing and following-up on the onsite inspections.

In 2020, IOSCO focused on nine selected jurisdictions from the European Region (ERC) – including Albania, Azerbaijan, Bulgaria, Croatia, Georgia, North Macedonia, Montenegro, Ukraine and Uzbekistan. The first onsite phase was originally planned to take place in Skopje, North Macedonia in May 2020, but was rescheduled and organized virtually in December 2020. The second onsite phase was also held in a virtual format the following April.

Module 2 – Enforcement Manuals

The objective of this module is to develop enforcement manuals for IOSCO members in different regions to use during the enforcement process in their specific jurisdictions. The manuals include detailed information about the approach to enforcement, conduct of investigations, investigative practices, cooperation, privileges and protection and settlement.

In 2020, the program focused on four selected jurisdictions from the Asia-Pacific Region (APRC) –Brunei, Cambodia, Maldives and Sri Lanka. The first onsite phase was hosted by the Capital Market Development Authority of Maldives and took place in Malta in February 2020, and the second onsite phase was held in a virtual format in October 2020.

Module 3 – MMoU

Securities regulators around the globe use the IOSCO MMoU to address cross-border fraud and misconduct, which can weaken global markets and undermine investor confidence. Established in May 2002, the MMoU sets out specific requirements for the exchange of information and provides a mechanism through which IOSCO members share essential investigative material.

Signing the IOSCO MMoU is a prerequisite to becoming an IOSCO ordinary member. But becoming an MMoU signatory often proves to be a challenge for many members, particularly for emerging markets that may need expertise to propose needed legal reforms.

Responding to this need, IOSCO assists members in their efforts to sign the MMoU by guiding them through the process. Cambodia, Iraq, Paraguay and Rwanda received IOSCO assistance in 2020, enabling them to advance their efforts to become MMoU signatories.

Other Capacity Building Initiatives

Assistance provided through the IOSCO General Secretariat to non-signatories of the IOSCO MMoU

The MMoU team of the IOSCO General Secretariat provides procedural guidance to non-signatories of the IOSCO MMoU and encourages them to move forward with their applications as soon as possible. The MMoU team contacts those who have made little or no progress over time and suggests that members go through a preliminary assessment process or seek political support from the General Secretariat for the enactment of their new legislation.

IOSCO also offers the following programs, assistance and other capacity building tools:

> *Technical Assistance for members and non-members*
> *Data Sharing Platform for member of the Growth and Emerging markets Committee*
> *Capacity Building for Self-Assessments*

IOSCO Risk and Research

The Research Function was established in 2010 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. The IOSCO Strategic Direction 2015-2020 expanded the scope of this mission to go beyond financial stability to include IOSCO's two other core objectives: investor protection and fair, efficient and transparent markets.

The Research Function comprises two departments: *Emerging Regulatory Issues Department* (ERI) and *Market Intelligence and Data Analytics* (MIDAT).

The identification of global risks in capital markets

ERI supports the IOSCO Board in its identification, assessment and prioritization of risks, trends and vulnerabilities in global capital markets. It coordinates the Secretariat's input to the work of the IOSCO Committee on Emerging Risks (CER) and leads IOSCO's contribution to the Financial Stability Board's (FSB) key risk identification and risk assessment mechanisms.[12]

ERI works closely with the CER to help shape Board priorities through the preparation of the Risk Outlook. It works to ensure that the risks, trends and vulnerabilities identified in the document are developed into tangible ideas for the IOSCO Board to consider in setting its forward-looking policy agenda. The CER delivered the 2021 Risk Outlook to the Board in November 2020. The priorities the report identified laid the foundation for the 2021 - 2022 IOSCO Work Program.[13]

Non-bank financial intermediation and financial stability

ERI also supports IOSCO's asset management and broader non-bank financial intermediation (NBFI) agenda. ERI coordinates the Secretariat's input to the work of the Committee on Investment Management (C5), **the Board's Financial Stability Engagement Group (FSEG)** and manages the operational interface with the FSB in connection with FSEG's involvement and contribution to the FSB's NBFI workplan. In doing so, ERI supports IOSCO's representatives on the FSB Steering Committee's group on NBFI (SCN).

The Board agreed to establish the FSEG at its meeting in October 2019 to facilitate IOSCO´s objective of reducing systemic risk. Following the onset of the March 2020 market turmoil, FSEG pivoted its focus towards leading IOSCO's crisis response agenda. FSEG initially contributed to the FSB SCAV's ongoing assessment of COVID-19 induced vulnerabilities by providing the securities markets regulators' perspective on the impact of the crisis in several key areas. It first developed initial thematic notes on fund liquidity risks and the impact of margin dynamics, as informed by supervisory intelligence alongside this, and supported by ERI, FSEG developed a comprehensive Board-agreed work plan in early May 2020 to support and structure IOSCO's engagement with (i) the FSB's NBFI agenda, developed under the auspices of the FSB Steering Committee's Group on NBFI (SCN), as well as (ii) FSEG's own forward-looking agenda for financial stability in the capital markets.

Following this, in the second half of 2020, FSEG conducted work on several substantive projects as part of its agreed work plan, notably:

> A diagnostic report published in November 2020 analyzing the events that occurred in the Money Market Funds (MMFs) sector during the March 2020 turmoil; the analysis and conclusions were reflected in the FSB Holistic Review with further policy work to enhance MMF sector resilience now taking place under the umbrella of the SCN.[14]

> A report (subsequently published in January 2021) analyzing the COVID-19 government support measures and their impact on the Credit Rating Agencies (CRA) ratings and rating methodologies.

> Launching an FSEG-led workstream to examine the liquidity, structure, and resilience of corporate bond markets during the COVID-19 Induced Market Stresses; and

> Resourcing new FSEG-FSB SCAV work though its committee 5 Core Expert Group and examining the experience of open-ended funds (OEFs) during the **COVID-19 induced March and April 2020 market stresses.**

Fintech

ERI also leads IOSCO's Fintech and innovation agenda including the Fintech and ICO Networks.[15]

Working under the auspices of the Fintech Network, it contributed on behalf of the Secretariat to the Stablecoins Working Group which published a paper on global stablecoin initiatives in March 2020.[16]

Data collection

MIDAT provides IOSCO committees with market intelligence, data and data analysis, often in response to requests. In 2020, MIDAT provided crucial data and analytical input into several key projects for IOSCO, including its work developing a framework for assessing leverage in investment funds and providing input into SCAV's critical nodes work.

[12] ERI supports IOSCO's participation in the Standing Committee on Assessment of Vulnerabilities (SCAV) and resources IOSCO´s contribution to SCAV's Analytical Group on Vulnerabilities.

[13] See IOSCO Board Priorities - Work Program 2021-2022, published 26 February 2021 at https://www.iosco.org/library/pubdocs/pdf/IOSCOPD673.pdf

[14] This work is supported by a technical experts group with balanced representation of central banks and securities regulators, with a joint FBS-IOSCO Secretariat.

[15] In connection with IOSCO's Fintech agenda, ERI also participates in the AGV Financial Innovation Network (FIN) and FSB Regulatory Issues in Stablecoins (RIS).

[16] See Global Stablecoin Initiatives, IOSCO Public Report, March 2020 https://www.iosco.org/library/pubdocs/pdf/IOSCOPD650.pdf

General Information

The International Organization of Securities Commissions (IOSCO) is an international association of securities regulators that was established in 1983. Its General Secretariat is based in Madrid, Spain.

The objectives of IOSCO's members are:

> to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets and to mitigate systemic risks;
> to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in the supervision of markets and market intermediaries; and
> to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

Structure of IOSCO

The Presidents Committee, as the plenary body of IOSCO, meets once a year during the IOSCO Annual Conference and is attended by ordinary and associate members. Affiliate members attend the meeting, though voting rights are restricted to ordinary members.

The Board is the day-today governing body of IOSCO. The IOSCO Board is composed of 34 members and two observers:

> 18 Nominated Members from jurisdictions with the largest markets (based on a variety of factors);
> The Chair and the two Vice Chairs of the Growth and Emerging Markets (GEM) Committee who are elected;
> The Chairs and the Vice Chairs of the four Regional Committees who are elected;
> One Member from the GEM Committee Membership who is elected; and
> One Member from each of the four Regional Committees who are elected.

Ashley Alder, the Chief Executive Officer, Securities and Futures Commission, Hong Kong, has been the Chair of the Board since IOSCO's Annual Meeting in Lima, Peru in May 2016. During 2020, he was supported by three Vice Chairs; Jean-Paul Servais, Chairman, Financial Services and Markets Authority, Belgium, Heath P. Tarbert, at that time Chairman and Chief Executive of the US Commodity Futures Trading Commission, and Dr. Obaid Al Zaabi, the then Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates, ex-officio as GEM Committee Chair. The observers in 2020 were the Chair of the IOSCO Affiliate Members Consultative Committee, Karen Wuertz, Senior Vice-President, Strategic Planning and Communications, National Futures Association, United States, and the then Chairman of the European Securities and Markets Authority of the European Union, Steven Maijoor.

The Growth and Emerging Markets Committee (GEM Committee) is the largest committee within IOSCO, representing more than 75% of the IOSCO's ordinary membership. In early 2021, Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority Egypt, was elected GEM Committee Chair for the remainder of the 2020-2022 term and serves ex officio as Vice Chair of the Board. The GEM Committee seeks to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.

The GEM Committee's strategic priorities are focused on a variety of matters including risks and vulnerabilities assessments, policy and development work affecting emerging markets and regulatory capacity building. It provides training programs and technical assistance for members and enables the exchange of information and expertise.

The GEM Committee comprises 90 members and 22 non-voting associate members that include some of the world's fastest growing economies and 10 of the G-20 members.

IOSCO is the one of the few international standard setters that has a committee dedicated to emerging market issues. This inclusiveness increases IOSCO's effectiveness and positions it to play a more significant role in shaping the global regulatory framework.

IOSCO also has **four Regional Committees**, which meet to discuss matters specific to their respective regions and jurisdictions and contribute a regional perspective to Board discussions:

> Africa/Middle-East Regional Committee;
> Asia-Pacific Regional Committee;
> European Regional Committee; and
> Inter-American Regional Committee.

Self-regulatory organizations (SROs) and other affiliate members (see below for a full description) are members of the **Affiliate Member Consultative Committee (AMCC)**. IOSCO recognizes the importance of engaging regularly with its affiliate membership and encourages its input into IOSCO's policy development work.

Annual Meeting

IOSCO's members meet every year at its Annual Meeting to discuss important issues related to global securities markets regulation. Event information can be found at **www.iosco.org**.

Membership Categories and Criteria

Categories

IOSCO has the following three categories of membership:

> Ordinary;
> Associate; and
> Affiliate.

Ordinary

A national securities commission or a similar governmental body with significant authority over securities or derivatives markets is eligible for ordinary membership of IOSCO, provided it is a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) on cooperation and exchange of information. Where there is no such national authority, provincial authorities with authority over securities or derivatives markets are eligible for ordinary membership, provided they are MMoU signatories.

Each ordinary member of the organization is a member of the Presidents Committee and has one vote at meetings of that committee. The Presidents Committee meets yearly at the Annual Meeting.

Associate

The following organizations are eligible for associate membership:

> supranational governmental regulators;
> subnational governmental regulators where there is a national governmental regulator;
> intergovernmental international organizations and other international standard-setting bodies;
> other governmental bodies with an appropriate interest in securities regulation;
> national governmental regulators who are not MMoU signatories and who are not ordinary members; and
> associations that consist of the public regulatory bodies.

Associate members may attend and vote at meetings of the Presidents Committee.

Affiliate

The following bodies are eligible for affiliate membership of IOSCO:

> self-regulatory organizations (SROs);
> securities exchanges;
> financial market infrastructures (including clearing and settlement agencies);
> international bodies other than governmental organizations with an appropriate interest in securities regulation;
> investor protection funds and compensation funds; and
> any other body with an appropriate interest in securities regulation that the IOSCO Board may decide on for the purpose of furthering the objectives of the organization.

Affiliate members may attend the Presidents' Committee meeting to hear detailed reports on key developments and the work of the organization, but they are not entitled to vote.

Contact Details

General Secretariat
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid. Spain

Tel: **(34 91) 417 5549**
Fax: **(34 91) 555 9368**
E-mail: **info@iosco.org**
Website: **www.iosco.org**

IOSCO Members

Ordinary Members (129)

Albanian Financial Supervisory Authority	Albania
Alberta Securities Commission	Alberta
Commission d'Organisation et de Surveillance des Opérations de Bourse	Algeria
Autoritat Financera Andorrana	Andorra
Comissão do Mercado de Capitais	Angola
Comisión Nacional de Valores*	Argentina
Central Bank of Armenia	Armenia
Australian Securities and Investments Commission*	Australia
Financial Market Authority	Austria
Securities Commission of The Bahamas*	Bahamas
Central Bank of Bahrain	Bahrain, Kingdom of
Bangladesh Securities and Exchange Commission	Bangladesh
Financial Services Commission	Barbados
Financial Services and Markets Authority*	Belgium
Bermuda Monetary Authority	Bermuda
Autoridad de Supervisión del Sistema Financiero	Bolivia
Securities Commission of the Federation of Bosnia and Herzegovina	Bosnia and Herzegovina, Federation of
Comissão de Valores Mobiliários*	Brazil
British Columbia Securities Commission	British Columbia
British Virgin Islands Financial Services Commission	British Virgin Islands
Autoriti Monetari Brunei Darussalam	Brunei
Financial Supervision Commission	Bulgaria
Auditoria Geral do Mercado de Valores Mobiliários, Banco Central of Cabo Verde	Cabo Verde
Cayman Islands Monetary Authority	Cayman Islands
Commission de Surveillance du Marché Financier de l'Afrique Centrale (Securities and Exchange Commission of Central Africa)	Central Africa
Comisión para el Mercado Financiero (Financial Market Commission)	Chile
China Securities Regulatory Commission*	China
Financial Supervisory Commission	Chinese Taipei
Superintendencia Financiera de Colombia	Colombia
Superintendencia General de Valores	Costa Rica
Croatian Financial Services Supervisory Agency	Croatia, Republic of
Cyprus Securities and Exchange Commission	Cyprus
Czech National Bank	Czech Republic
Danish Financial Supervisory Authority	Denmark
Dubai Financial Services Authority	DIFC, Dubai
Superintendencia del Mercado de Valores	Dominican Republic
Superintendencia de Compañías, Valores y Seguros	Ecuador
Financial Regulatory Authority*	Egypt
Superintendencia del Sistema Financiero	El Salvador
Finantsinspektsioon	Estonia
Financial Supervision Authority	Finland
Autorité des marchés financiers*	France
Bundesanstalt für Finanzdienstleistungsaufsicht*	Germany
Securities and Exchange Commission	Ghana
Gibraltar Financial Services Commission	Gibraltar
Hellenic Capital Market Commission	Greece
Guernsey Financial Services Commission	Guernsey
Securities and Futures Commission*	Hong Kong
Magyar Nemzeti Bank (The Central Bank of Hungary)	Hungary
The Central Bank of Iceland	Iceland
Securities and Exchange Board of India*	India
Indonesia Financial Services Authority	Indonesia
Securities and Exchange Organization	Iran
Central Bank of Ireland*	Ireland
Isle of Man Financial Services Authority	Isle of Man
Israel Securities Authority	Israel
Commissione Nazionale per le Società e la Borsa*	Italy
Financial Services Commission	Jamaica
Financial Services Agency*	Japan
Ministry of Agriculture, Forestry and Fisheries	Japan
Ministry of Economy, Trade and Industry	Japan
Jersey Financial Services Commission	Jersey
Jordan Securities Commission	Jordan
Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market	Kazakhstan, Republic of
Capital Markets Authority*	Kenya
Financial Services Commission/Financial Supervisory Service*	Korea, Republic of
Capital Markets Authority	Kuwait
State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic	Kyrgyz Republic
Financial and Capital Market Commission	Latvia, Republic of
Financial Market Authority	Liechtenstein
Bank of Lithuania	Lithuania
Commission de Surveillance du Secteur Financier	Luxembourg
Reserve Bank of Malawi	Malawi
Securities Commission*	Malaysia
Capital Market Development Authority	Maldives
Malta Financial Services Authority	Malta
Financial Services Commission	Mauritius
Comisión Nacional Bancaria y de Valores*	Mexico
Financial Regulatory Commission	Mongolia
Capital Market Authority of Montenegro	Montenegro
Autorité Marocaine du Marché des Capitaux*	Morocco
Financial Markets Authority	New Zealand
Securities and Exchange Commission*	Nigeria
Securities and Exchange Commission of the Republic of North Macedonia	North Macedonia, Republic of
Finanstilsynet (The Financial Supervisory Authority of Norway)	Norway
Capital Market Authority	Oman, Sultanate of
Ontario Securities Commission*	Ontario
Securities and Exchange Commission*	Pakistan

*Member of the IOSCO Board

Board observers

Palestine Capital Market Authority	Palestine
Superintendencia del Mercado de Valores	Panama
Securities Commission	Papua New Guinea
Superintendencia del Mercado de Valores	Peru
Securities and Exchange Commission	Philippines
Polish Financial Supervision Authority	Poland
Comissão do Mercado de Valores Mobiliários*	Portugal
Qatar Financial Markets Authority	Qatar
Autorité des marchés financiers*	Quebec
Financial Supervisory Authority	Romania
The Bank of Russia*	Russia
Capital Market Authority*	Saudi Arabia
Securities Commission	Serbia, Republic of
Monetary Authority of Singapore*	Singapore
The National Bank of Slovakia	Slovak Republic
Securities Market Agency/Agencija Za Trg Vrednostnih Papirjev	Slovenia
Financial Sector Conduct Authority	South Africa
Comisión Nacional del Mercado de Valores*	Spain
Securities and Exchange Commission of Sri Lanka	Sri Lanka
Securities Commission of the Republic Srpska	Srpska, Republic of
Finansinspektionen*	Sweden
Swiss Financial Market Supervisory Authority*	Switzerland
Syrian Commission on Financial Markets and Securities	Syria
Capital Markets and Securities Authority	Tanzania
Securities and Exchange Commission	Thailand
The Dutch Authority for the Financial Markets	The Netherlands
Trinidad and Tobago Securities and Exchange Commission	Trinidad and Tobago
Conseil du marché financier	Tunisia
Capital Markets Board*	Turkey
Turks & Caicos Islands Financial Services Commission	Turks & Caicos
Capital Markets Authority	Uganda
National Securities and Stock Market Commission	Ukraine
Securities and Commodities Authority	United Arab Emirates
Financial Conduct Authority*	United Kingdom
Commodity Futures Trading Commission*	United States of America
Securities and Exchange Commission*	United States of America
Banco Central del Uruguay	Uruguay
Capital Market Development Agency	Uzbekistan
State Securities Commission	Vietnam
Conseil régional de l'épargne publique et des marchés financiers	West African Monetary Union
Securities and Exchange Commission	Zambia

*Member of the IOSCO Board
Board observer

Associate Members (33)

Financial Services Regulatory Authority	Abu Dhabi
African Development Bank Group	Africa
Astana Financial Services Authority	AIFC, Nur-Sultan (formerly Astana)
Union of Arab Securities Authorities	Arab Union
Asian Development Bank	Asia
Central Bank of the Republic of Azerbaijan	Azerbaijan, Republic of
Ministry of Finance of the Republic of Belarus	Belarus, Republic of
Non-Bank Financial Institutions Regulatory Authority	Botswana
Securities and Exchange Commission of Cambodia	Cambodia
Centrale Bank van Curaçao en Sint Maarten	Curaçao
Financial Services Regulatory Authority	Eswatini
European Commission	European Union
European Securities and Markets Authority#	European Union
Reserve Bank of Fiji	Fiji, Republic of
National Bank Of Georgia	Georgia
International Financial Services Centres Authority	India
International Bank for Reconstruction and Development	International
International Monetary Fund	International
Iraq Securities Commission	Iraq
Securities and Exchange Surveillance Commission	Japan
Korea Deposit Insurance Corporation	Korea, Republic of
Labuan Financial Services Authority	Labuan
Lao Securities Commission	Lao People's Democratic Republic
Capital Markets Authority	Lebanon
Commission de Contrôle des Activités Financières	Monaco, Principality of
Banco de Moçambique	Mozambique
Namibia Financial Institutions Supervisory Authority	Namibia
Securities Board of Nepal	Nepal
Comisión Nacional de Valores	Paraguay
Qatar Financial Centre Regulatory Authority	Qatar
Capital Market Authority	Rwanda
Financial Services Authority	Seychelles
Prudential Authority	South Africa

Affiliate Members (67)

Bahamas International Securities Exchange	Bahamas
Bahrain Bourse	Bahrain, Kingdom of
The Bermuda Stock Exchange	Bermuda
B3 – Brasil, Bolsa, Balcão	Brazil
Brazilian Financial and Capital Markets Association	Brazil
BSM Market Supervision	Brazil
CETIP S/A. – Mercados Organizados	Brazil
Investment Industry Regulatory Organization	Canada
Mutual Fund Dealers Association	Canada
Cayman Islands Stock Exchange	Cayman Islands
The International Stock Exchange	Channel Islands
Asset Management Association of China	China
China Financial Futures Exchange	China
China Securities Depository and Clearing Corporation Limited	China
China Securities Investor Protection Fund Co., Ltd.	China
Securities Association of China	China
Shanghai Stock Exchange	China
Shenzhen Stock Exchange	China
Taipei Exchange	Chinese Taipei
Taiwan Futures Exchange	Chinese Taipei
Taiwan Stock Exchange Corp.	Chinese Taipei
Autorregulador del Mercado de Valores de Colombia	Colombia
MISR for Clearing, Depository and Central Registry	Egypt
European Fund and Asset Management Association	European Union
Deutsche Börse AG	Germany
German Derivatives Association	Germany
Hong Kong Exchanges and Clearing Limited	Hong Kong
BSE Limited	India
Multi Commodity Exchange of India Limited	India
National Stock Exchange	India
Indonesia Stock Exchange	Indonesia
CCP12 – The Global Association of Central Counterparties	International
CFA Institute	International
FIA	International
Financial Planning Standards Board Ltd.	International
Global Financial Markets Association	International
ICI Global	International
International Capital Market Association	International
International Swaps & Derivatives Association, Inc.	International
Standards Board for Alternative Investments	International
The Alternative Investment Management Association Limited	International
World Federation of Exchanges Ltd.	International
Japan Exchange Group, Inc.	Japan
Japan Securities Dealers Association	Japan
Central Securities Depository JSC	Kazakhstan, Republic of
Korea Exchange	Korea, Republic of
Boursa Kuwait Securities Company	Kuwait
Kuwait Clearing Company	Kuwait
Bursa Malaysia	Malaysia
Central Securities Clearing System Plc	Nigeria
FMDQ Group	Nigeria
The Nigerian Stock Exchange	Nigeria
National Association of Securities Market Participants	Russia
Saudi Stock Exchange	Saudi Arabia
Singapore Exchange Limited	Singapore
Johannesburg Stock Exchange	South Africa
Bolsas y Mercados Españoles	Spain
SIX Exchange Regulation AG	Switzerland
The Stock Exchange of Thailand	Thailand
Turkish Capital Markets Association	Turkey
Dubai Gold & Commodities Exchange	United Arab Emirates
LCH.Clearnet Group Limited	United Kingdom
CME Group	United States of America
Depository Trust & Clearing Corporation (DTCC)	United States of America
Financial Industry Regulatory Authority	United States of America
National Futures Association#	United States of America
Options Clearing Corporation	United States of America
Securities Investor Protection Corporation	United States of America

*Member of the IOSCO Board
Board observer

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
www.deloitte.es

INDEPENDENT AUDITORS' REPORT

To the Members of International Organization of Securities Commissions (IOSCO)

Opinion

We have audited the financial statements of International Organization of Securities Commissions (the Organization), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Secretary General and the Audit Committee for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE, S.L.

Antonio Ríos Cid
Madrid, May 6, 2021

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Financial Statements

Statement of Comprehensive Income (in Euros)

Year ended December 31, 2020

Notes 1 and 2

	2020	2019
REVENUE		
Contributions from members (Note 3)	5,644,283	5,885,404
Annual Conferences (Note 3)	-	120,000
Exchange Gain	-	29
Other	5,038	3,225
2015 Capacity Building Program (Note 14)	-	105,575
Total Revenue	**5,649,321**	**6,114,233**
EXPENSES		
Salaries and employee benefits (Note 4)	3,740,539	3,571,026
Rental and maintenance (Note 13)	108,929	90,821
Travelling	51,897	493,887
Office Supplies	20,134	37,071
Organization and follow up of meetings	37,406	58,983
Telecommunications	79,872	77,795
Delivery and communication	1,479	3,727
Printing and Annual Report	7,652	19,413
Information Technology	242,287	220,620
Professional fees	285,195	222,320
Capacity Building: Educational programs and Technical Assistance (note 15)	155,301	418,026
Miscellaneous	45,204	46,630
Exchange loss	4,612	-
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	62,182	62,317
2015 Capacity Building Program (Note 14)	-	105,575
Total Expenses	**4,942,689**	**5,528,211**
Taxation (Note 11)	-	-
Excess of revenue over expenses before tax (expenses over revenue)	**706,632**	**586,022**
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	**706,632**	**586,022**

The accompanying notes are an integral part of the financial statements.

Statement of Financial Position (in Euros)

Year ended December 31, 2020

Notes 1 and 2

	2020	2019
ASSETS		
Current assets		
Cash (Note 6)	9,316,837	6,151,879
Term Deposits (Note 6)	-	3,000,000
Accounts Receivable (Note 8)	25,060	7,517
Prepaid Expenses (Note 9)	146,102	43,603
	9,487,999	**9,202,999**
Capital Assets (Note 7)	128,771	163,806
Total Assets	**9,616,770**	**9,366,805**
LIABILITIES		
Current Liabilities		
Accounts Payable and accrued liabilities (Note 8)	486,917	501,668
Contributions received in advance (Note 3)	279,190	721,106
Total Liabilities	**766,107**	**1,222,774**
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	706,632	586,022
Unrestricted members´ funds	8,144,031	7,558,009
Total members' Funds	**8,850,663**	**8,144,031**
Total liabilities and members' Funds	**9,616,770**	**9,366,805**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets (in Euros)

Year ended December 31, 2020
Notes 1 and 2

	2020	2020	2019
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	8,144,031	8,144,031	7,558,009
Excess of revenue over expenses net of tax (expenses over revenue)	706,632	706,632	586,022
Balance, end of year	**8,850,663**	**8,850,663**	**8,144,031**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows (in Euros)

Year ended December 31, 2020
Notes 1 and 2

	2020	2019
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	706,632	586,022
Depreciation of capital assets (Note 7)	62,182	62,317
Decrease (increase) in working capital items (Note 10)	(576,709)	477,274
(Gains)/Losses on disposal of non-financial assets	-	(293)
Net cash generated	**192,105**	**1,125,320**
INVESTING ACTIVITIES		
Term deposits transactions (Note 6)	3,000,000	-
Capital expenditures (Note 7)	(27,147)	(18,378)
Net cash used	**2,972,853**	**(18,378)**
Net increase (decrease) in cash and cash equivalents	**3,164,958**	**1,106,942**
Cash and cash equivalents, beginning of period	6,151,879	5,044,937
Cash and cash equivalents, end of period	**9,316,837**	**6,151,879**
CASH AND CASH EQUIVALENTS		
Cash (Note 6)	9,316,837	6,151,879
	9,316,837	**6,151,879**

The accompanying notes are an integral part of the financial statements.

1 Governing Statutes and Purpose of the Organization

The International Organization of Securities Commission (hereinafter IOSCO or "the Organization") is an association of securities regulatory organizations. It was incorporated as a non-profit organization under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999 and whose legal framework is constituted, mainly, by the "Headquarters Agreement between the Kingdom of Spain and the International Organization of Securities Commissions" published in the Spanish Official State Bulletin on 17 December 2011 (HQA), and having its domicile in Madrid.

IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. Its current membership comprises regulatory bodies from over one hundred and thirty jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

The IOSCO Objectives and Principles of Securities Regulation have been endorsed by both the G20 and the FSB as the relevant standards in this area. They are the overarching core principles that guide IOSCO in the development and implementation of internationally recognized and consistent standards of regulation, oversight and enforcement. They form the basis for the evaluation of the securities sector for the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund (IMF) and the World Bank.

By providing high quality technical assistance, education and training, and research to its members and other regulators, IOSCO seeks to build sound global capital markets and a robust global regulatory framework.

The IOSCO objectives are:

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are prepared in Euros which is the organization´s functional currency.

These financial statements were authorized for issue by the Secretary General of the Organization on 4 May 2021.

Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at cost or at amortized costs.

Accounting estimates

The preparation of these financial statements, which are in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue and cost recognition

Membership contributions are recognized as income only upon accrual and receipt. When contributions are received in advance and designated for future reporting periods, they are recognized as liabilities (revenue received in advance).

Operating costs are recognized as an expense when incurred.

Employee entitlements

Employee salaries, social security and other related benefits are recognized in the Statement of the Comprehensive Income when they are earned. Contributions to staff pension plans and retirement entitlements are recognized when they become due.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Any impairment in the net recoverable amount as compared to the net carrying amount is recognized immediately.

Gains and losses on disposal are included in the Statement of Comprehensive Income.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Furniture and fixtures	Straight-line	20%
Computer equipment		
Computers and Software	Straight-line	33%
Servers and Printers	Straight-line	20-25%
Audio-visual	Straight-line	14-20%

Foreign currency translation

Given that the Organization's functional and presentational currency is Euros, foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are recognized in the Statement of Comprehensive Incomes when they arise.

Monetary assets and liabilities denominated in foreign currencies are recognized in Euros at the foreign exchange rate at the end of the reporting period. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income.

3 Revenue

Contributions from members include: (1) membership fees collected during the year, corresponding to contributions due for the reporting period, (2) previous reporting periods and (3) contributions from agencies applying for membership.

Annual Meeting revenue represents the contribution received from the host of the Annual Meeting. Given the shift of the Annual Meeting in 2020 from a physical to a virtual meeting, as a result of the travel restrictions imposed by the Covid-19 pandemic, we have not recognized any revenue from this source in 2020. It has been agreed that this source of revenue will be discontinued starting in 2021.

Other revenue comprises primarily interest income from term deposits and other revenue from the disposal of aging equipment (see Note 6).

The account "Contributions received in advance" of the statement of financial position at 31 December 2020 includes funding received from members in 2020, amounting to €279,190 which is designated for subsequent periods (contributions of €721,106 received in advance during 2019). Part of these contributions correspond to membership fees and contributions received in advance associated to the Secondments Program, together with the remainder corresponding to contributions received in advance from nominated Board members to fund the 2015 Capacity Building Program (see note 14).

The detail of contributions received in advance is provided in the chart below:

	2020	2019
Members´ contributions	267,246	709,162
2015 Capacity Building Program	11,944	11,944
Total contributions received in advance	**279,190**	**721,106**

(in Euros)

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2020 and 2019 is shown in the chart below:

	2020			2019		
	Men	Women	Total	Men	Women	Total
Permanent staff	14	12	26	14	12	26
Secondees	3	3	6	3	1	4
Intern	-	1	1	-	-	-
Total Staff	**17**	**16**	**33**	**17**	**13**	**30**

Total salary and employee benefits´ cost are shown in the chart below:

	2020	2019
Gross salaries	2,991,261	2,834,490
Spanish social security	389,882	380,457
Other social benefits	359,396	356,079
Total salaries and employee benefits	**3,740,539**	**3,571,026**

(in Euros)

Other social benefits include the contributions to employees´ medical insurance, moving and relocation costs and the contributions made by IOSCO to employees´ defined contribution pension plans. On an annual basis, the IOSCO Board approves the Organization's budget, including a line item related to salaries and employee benefits, which includes a provision for pension plan contributions for permanent staff. The pension contribution was operationalized in a Unit Linked managed by Aegon España, S.A.U. de Seguros y Reaseguros. This, along with other staff pension allowances amounted to €232,099 (€229,479 in 2019).

In 2020, the Organization had the benefit of seconded staff from the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), Financial Services Commission of Mauritius, the Securities and Exchange Commission of Nigeria (SEC), the Securities and Exchange Commission of Thailand and the Financial Conduct Authority of United Kingdom (FCA).

To extend to secondees the benefits granted to IOSCO staff by the HQA, the Organization typically enters, as part of the secondment program into a trilateral agreement with the sponsoring member and the secondee, whereby it offers the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat on a temporary basis. These contributions generally cover a portion of the seconded staff's salary costs paid through the Organization. Revenue is recognized based on the terms, amounts and payment schedule determined by the Secondment agreement between the Organization and the sponsoring member. The amounts payable to the secondee as part of the respective employment contract are recognized and accrued as an expense. To enhance comparability, the amounts corresponding to the secondment program, both in terms of revenue and expenditure, have been offset in the Statement of Comprehensive Income. Consequently, the net difference between revenue and subsidized costs arising from social security adjustment is recognized on a net basis in the income statement under the "Salaries and employee benefits" account, as shown in the chart below:

	2020	2019
Revenue associated to the Secondment Program	328,645	183,724
Subsidized expenditure associated to the Secondment Program	(338,699)	(180,422)
Net as at December 31	**(10,054)**	**3,302**

(in Euros)

In addition, as part of the secondment agreements and in compliance with the IOSCO Secondment Program, IOSCO assumes certain costs, which are also recognized in the income statement in the "Salaries and employees benefits" account, including costs related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to €101,970 (€63,446 for the year 2019).

In a minority of cases no trilateral agreement is executed because the sponsoring member continues to provide all the employment, administrative and financial requirements with respect to the secondee. When this occurs, IOSCO has no direct, formal employment link with the secondee and has no financial obligation. Accordingly, revenue and the related expenditure are not accrued.

5 PIOB Funding

The Public Interest Oversight Board (PIOB) was formally established in February 2005 as part of the IFAC Reform Proposals with the objective to increase investor and other stakeholder confidence that IFAC's public interest activities, including standard setting by IFAC's independent boards, are properly responsive to the public interest.

With a view to diversifying funding sources for the PIOB, the IOSCO Executive Committee decided in October 2011 to provide the PIOB with a direct financial contribution of one hundred thousand Euros per year, starting in 2013.

IOSCO contributed €100,000 to the PIOB in 2020 and in 2019.

6 Cash and Term Deposits

Cash is held in non-remunerated current bank accounts denominated in Euros in Caixabank, Santander Private Banking, Bankinter and BBVA, all EU entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts.

In 2019 cash was also held in bank deposits. These deposits expired in mid-2020 and have not been renewed in light of the very low interest rate forecasts. The basic terms of the bank deposits as of 31 December 2019 are shown in the chart below:

Counterparty (in Euros)	Currency	Contract date	Maturity date	2019 Annualized interest rate	Amounts
Banco Santander*	Euro	10/03/2018	10/04/2020	0.029%	500,000
Banco Santander*	Euro	14/03/2018	14/04/2020	0.029%	500,000
Banco Santander*	Euro	17/03/2018	17/04/2020	0.029%	500,000
Banco Santander*	Euro	20/03/2018	20/04/2020	0.029%	500,000
Banco Santander*	Euro	01/04/2018	01/05/2020	0.029%	500,000
Banco Santander*	Euro	07/04/2018	07/05/2020	0.029%	500,000
Total as at December 31, 2019					**3,000,000**

(*) Term deposits with quarterly liquidity windows

7 Capital Assets

2020	Furniture and fixtures	Computer equipment	Total
At the lower of recoverable value and cost			
Balance, beginning of year	289,744	724,268	1,014,012
Additions		27,147	27,147
Disposals			
Balance, end of year	**289,744**	**751,415**	**1,041,159**
Accumulated depreciation			
Balance, beginning of year	(168,239)	(681,967)	(850,206)
Depreciation	(30,485)	(31,697)	(62,182)
Disposals			
Balance, end of year	**(198,724)**	**(713,664)**	**(912,388)**
Net as at December 31, 2020	**91,020**	**37,751**	**128,771**

(in Euros)

2019	Furniture and fixtures	Computer equipment	Total
At the lower of recoverable value and cost			
Balance, beginning of year	284,222	712,153	996,375
Additions	5,522	13,254	18,776
Disposals	-	(1,139)	(1,139)
Balance, end of year	**289,744**	**724,268**	**1,014,012**
Accumulated depreciation			
Balance, beginning of year	(136,474)	(652,449)	(788,923)
Depreciation	(31,765)	(30,552)	(62,317)
Disposals	-	1,034	1,034
Balance, end of year	**(168,239)**	**(681,967)**	**(850,206)**
Net as at December 31, 2019	**121,505**	**42,301**	**163,806**

(in Euros)

8 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2020	2019
Secondment contributions (See Note 4)	-	-
Other	25,060	7,517
Total Accounts receivable	**25,060**	**7,517**

(in Euros)

b) Accounts payable and accrued liabilities

	2020	2019
Professional services	111,528	61,186
Occupancy (See Note 13)	82,467	70,000
Spanish Taxes (employee's income tax withheld) and Social Security	182,849	215,880
Contractual staff commitments (See Note 4)	9,828	15,257
Travel	278	31,279
Other	99,967	108,066
Total Accounts payable and accrued liabilities	**486,917**	**501,668**

(in Euros)

The balance of "Accounts payable and accrued liabilities - Others" of the detail above includes, primarily, the invoices pending receipt.

9 Prepaid expenses

Prepaid expenses comprise advance payments in the reporting period relating to services to be rendered in subsequent periods. They are carried on the balance sheet until the service is rendered and expenses are recognized in the income statement.

Detail of prepaid expenses at 31 December 2020 and 2019 is as follows:

	2020	2019
Travel booked in advance for subsequent periods	-	8,178
Professional fees and IT	132,181	9,421
Other	13,921	26,004
Total Accounts payable and accrued liabilities	**146,102**	**43,603**

(in Euros)

10 Information Included in the Statement of Cash Flows

The increases (decreases) in working capital items are detailed as follows:

	2020	2019
Accounts receivable	(17,543)	47,962
Prepaid expenses	(102,499)	31,897
Accounts payable and accrued liabilities	(14,751)	99,602
Contributions received in advance	(441,916)	297,813
Increases (decreases) in working capital	**(576,709)**	**477,274**

(in Euros)

11 Taxation

On 29 December 1999, the Spanish Parliament passed legislation (Law 55/1999), to exempt the Organization from Spanish income tax. On 23 November 2011, IOSCO signed a Headquarters Agreement with the Kingdom of Spain which also incorporates the same income tax exemption.

12 Government Assistance

Under the headquarters agreement, the Spanish Authorities grant IOSCO the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance costs (e.g., electricity, water, elevator maintenance). The estimated revenue in kind associated with the 56% share is €328,364 for 2020.

IOSCO has also entered into an agreement with the Spanish securities regulator, Comisión Nacional del Mercado de Valores (CNMV), under which the parties agreed that the CNMV would be responsible for meeting the costs of security and maintenance of security systems on the IOSCO premises; insuring the premises; and covering municipal and local property taxes. These revenues in kind have been estimated at €83,257 for 2020 (€89,864 in 2019).

13 Rental and Maintenance

	2020	2019
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	82,467	70,000
Other external maintenance services	26,462	20,821
Total rental and maintenance	**108,929**	**90,821**

(in Euros)

14 | 2015 Capacity Building Program

In June 2014, the IOSCO Board approved a pilot program for additional capacity building activities to be carried out by the General Secretariat. These activities included the creation of an Online Toolkit and the organization of two additional regional training seminars. These capacity building activities for IOSCO members are in addition to the long-standing and on-going IOSCO education and training activities.

The Board also agreed that the pilot program would be funded by a one-off contribution of €15,000 from each nominated member to the IOSCO Board, to be paid in 2015 as a supplement to their 2015 annual membership contribution fees. The IOSCO Presidents Committee ratified this agreement in its resolution 2/2014.

IOSCO received a total of €240,000 in 2015 from 16 nominated Board members.

The total costs incurred since the approval of the pilot program for CB activities is €228,056. During the course of 2017, the Board agreed to use the unspent funds to further enhance the pilot program. In 2019 IOSCO spent €105,575 to support and develop the pilot program. No costs have been incurred in 2020. There is still a slight remainder of the 2015 CB program (€11,944) that will be carried over to 2021.

The unspent funds of €11,944 have been recognized as contributions received in advance from members (see note 3).

15 Capacity Building: Education and Training and Technical Assistance

The total costs incurred in Capacity Building activities in 2020, covering both Education and Training and Technical Assistance, is €155,301 (€418,026 in 2019). The decrease in expenditure in 2020 compared to 2019 is explained by the cancelation or suspension of a significant number of projects and events, given the impact on travel restrictions caused by the COVID-19 pandemic.

IOSCO runs on an annual basis a comprehensive capacity building program aimed to assist IOSCO members with their training needs and to help them implement the IOSCO Principles and meet the requirements of the IOSCO Multilateral Memorandum of Understanding on Cooperation and Exchange of Information (MMoU).

These programs leverage on the experience and expertise at the IOSCO Secretariat and the IOSCO membership to promote market development and strengthen the regulatory and supervisory capacity of securities regulators.

In the area of education and training, IOSCO holds several important annual events, including the IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets, the IOSCO Seminar Training Program, the Joint IOSCO-Financial Stability Institute Conference, the IOSCO Affiliate Members Consultative Committee Training Seminar and several workshops tailored to the Growth and Emerging Markets Committee of IOSCO.

IOSCO's Technical Assistance Program encompasses several programs, assistance and other capacity building tools, including: (i) technical assistance for members and non-members, (ii) Data Sharing Platform, (iii) Capacity Building Online Toolkit, and (iv) Capacity Building for Self-Assessments. It consists of modular technical assistance programs covering: (i) onsite inspection manuals, (ii) enforcement manuals, and (iii) the MMoU. The modular programs are designed to assist IOSCO members with the on-site inspection process for the supervision of investment firms and asset managers, during the enforcement process in their specific jurisdictions with detailed information about the approach to enforcement, conduct of investigations, investigative practices, cooperation, privileges and protection, and settlement.

In the area of enforcement and information exchange, IOSCO assists non-signatories of the IOSCO MMoU in their efforts to sign the MMoU by guiding them through the process. The assistance provided through the IOSCO General Secretariat provides procedural guidance and assists with progressing with their applications as soon as possible.

Additionally, IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur (the Hub) in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative established IOSCO's first regional hub to deliver capacity building activities to securities markets regulators in a specific region. The running of the Hub does not have any financial implications for IOSCO. All costs related to the activities and operations of the Hub, including personnel, physical premises and facilities, maintenance, IT and other operating costs are supported by the host.

16 Auditors´ remuneration

The total remuneration to be paid by IOSCO to its auditors in 2020 and 2019 is €9,400 each year.

17 Subsequent Events

At the date of preparation of these financial statements, many jurisdictions around the globe continue to be significantly affected by the COVID-19 pandemic. In March 2020, IOSCO activated its Business Contingency Plan to ensure the continuity of its operations in an efficient way including servicing its committees and membership on a remote basis.

During 2020, IOSCO has not experienced any significant impact in its ability to continue with its operations or any material impact on its overall financial position, liquidity or asset or liability valuation risks. IOSCO continues to monitor the evolution of the pandemic in order to successfully address any possible impacts, both financial and non-financial, that may occur. In any case, it is expected that these events will not affect IOSCO´s continuity.