

MEDIA RELEASE



International Organization of Securities Commissions
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المنظمة الدولية لهيئات الأوراق المالية

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Madrid, 14 September 2023

IOSCO Seeks Feedback on Proposed Good Practices on Leveraged Loans and CLOs and Publishes its Thematic Analysis on Emerging Risks in Private Finance

IOSCO today publishes two reports analysing important market risks. It has called for an improvement in practices in [the leveraged loan market](#) and highlighted weak transparency in [private finance](#).

Mhairi Jackson, Chair of Committee 3 on Regulation of Market Intermediaries, said *“These good practices are designed to support sound LL and CLO market practice and further IOSCO’s market integrity and systemic risk objective. A prolonged borrower-friendly environment has impacted market practices, giving rise to covenant-lite LLs, increased complexity of LL documentation and the aggressive use of EBITDA adjustments. We strongly encourage Leveraged Loan (LL) and Collateralised Loan Obligation (CLO) market participants to actively participate in the consultation process.”*

Christina Choi, Chair of Committee 5 on Investment Management, said *“IOSCO has followed the evolution of the Leveraged Loan (LL) and Collateralised Loan Obligation (CLO) markets for some time. The proposed set of good practices are an important step towards mitigating some of the vulnerabilities observed in our work, particularly the possible conduct and conflicts of interest risks observed across the intermediation chain – from LL origination through the distribution of the CLO notes.”*

IOSCO’s second report published today says that private finance markets are inherently opaque and presents challenges for regulators and for market participants to understand the scale of risk in these activities.

The connections between private markets and other parts of the financial system may also provide avenues for the transmission of risk into public markets.

IOSCO is concerned that the sector may be tested going forward and respond in ways that uncover hidden risks, such as excess corporate leverage.

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Kate Collyer, Chair of the Committee on Emerging Risks, said “*Private financing activities have seen unprecedented growth since the GFC, and the changing macro-financial environment could expose vulnerabilities. It is critical that regulators can monitor developments in private markets and understand emerging risks, particularly in a sector where transparency is more limited.*”

Comments on the consultation paper should be sent to LL-CLOconsultation@iosco.org on or before 15 December 2023. Thereafter, IOSCO will consider the feedback with the aim to finalise Good Practices by Q1 2024.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in some 130 jurisdictions, and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of IOSCO and is made up of 35 securities regulators. Mr. Jean-Paul Servais, the Chair of Belgium’s Financial Services and Markets Authority (FSMA) is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Bahamas, Bangladesh, Belgium, Brazil, China, Dubai, Egypt, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Korea, Kuwait, Malaysia, Mauritius, Mexico, Morocco, the Netherlands, Ontario, Peru, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, T urkiye, the United Kingdom and the United States of America (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). The Chair of the European Securities and Markets Authority and the Chair of IOSCO’s Affiliate Members Consultative Committee are also observers.
3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing more than 75% per cent of the IOSCO membership, including 10 of the G20 members. Dr Mohamed Farid Saleh, Executive Chairman of the Financial Regulatory Authority, Egypt is Chair of the GEM Committee. The committee brings

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members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, amongst others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

4. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting internationally recognized and consistent standards of regulation, oversight and enforcement 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 to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

MEDIA ENQUIRIES

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