OICU-IOSCO

Current Thinking and IOSCOs Stance on Systemic Risks

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Disclaimer

The views and opinions presented in this presentation are of the presenter only and do not necessarily reflect the views and opinions of IOSCO or its individual members.

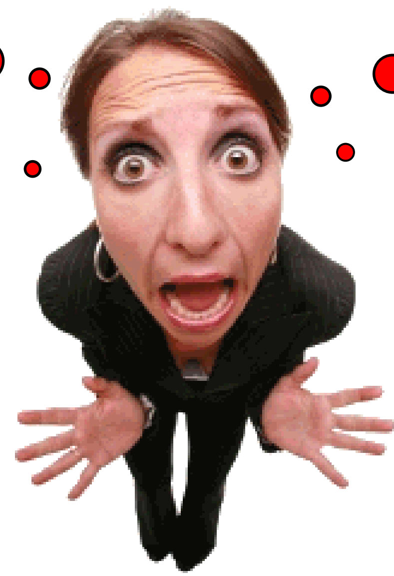
Current thinking on systemic risk

- Systemic risk considered from an institutional perspective.
- Efforts to contain systemic risk through identifying, monitoring and regulating systemically important institutions.
- Institutional size is a key measure.
- Question of ‘size’ and ‘the right size’ is dominating discussion.

Burning questions

Why didn´t our models caught Northern Rock?

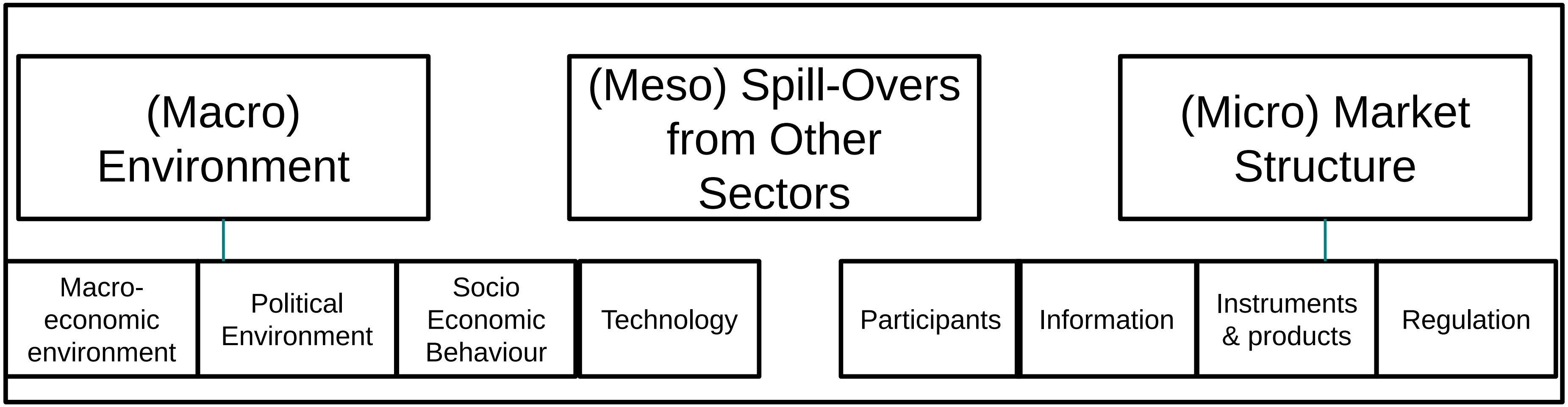
Why are so many scandals not caught?



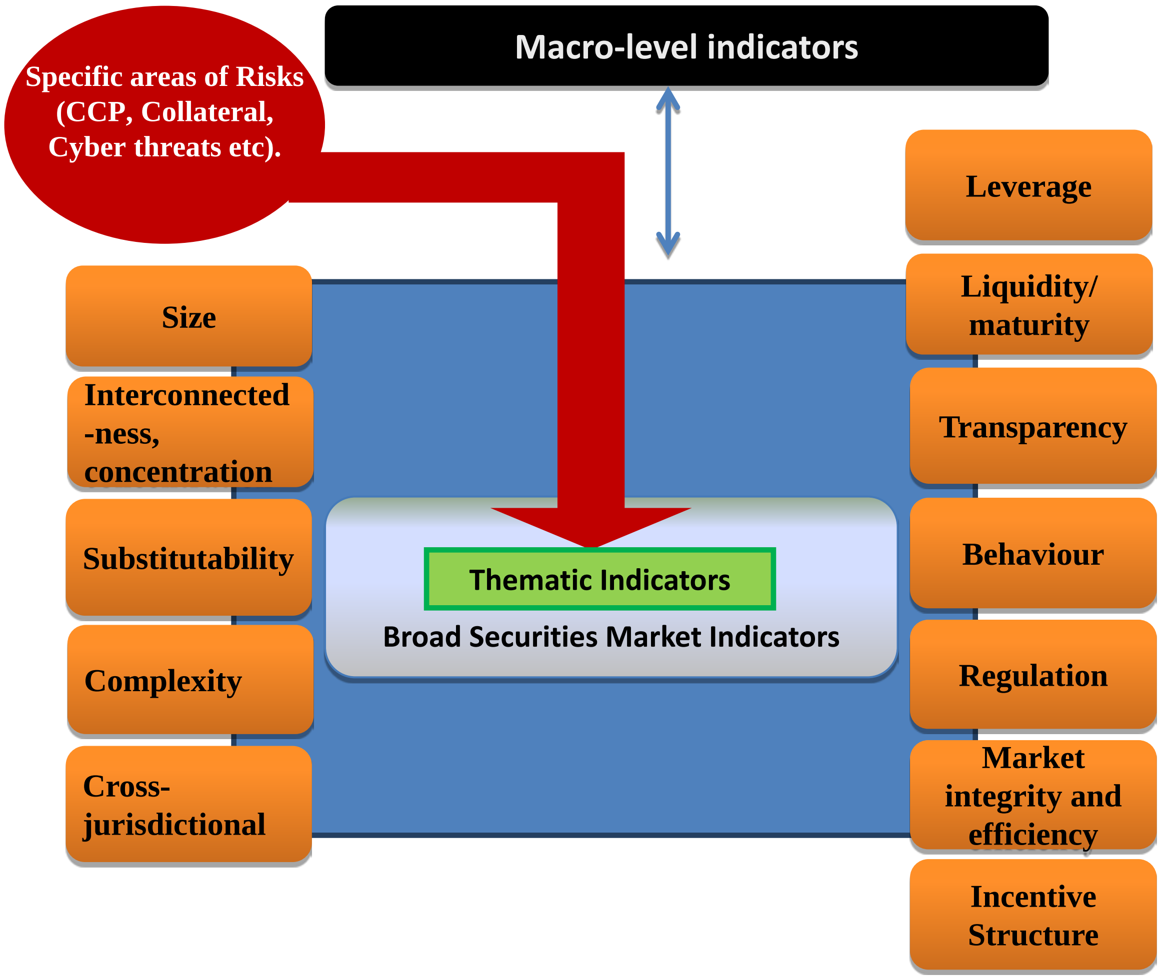
Why do we not have good data?

Why do we only focus on bank balance sheets?

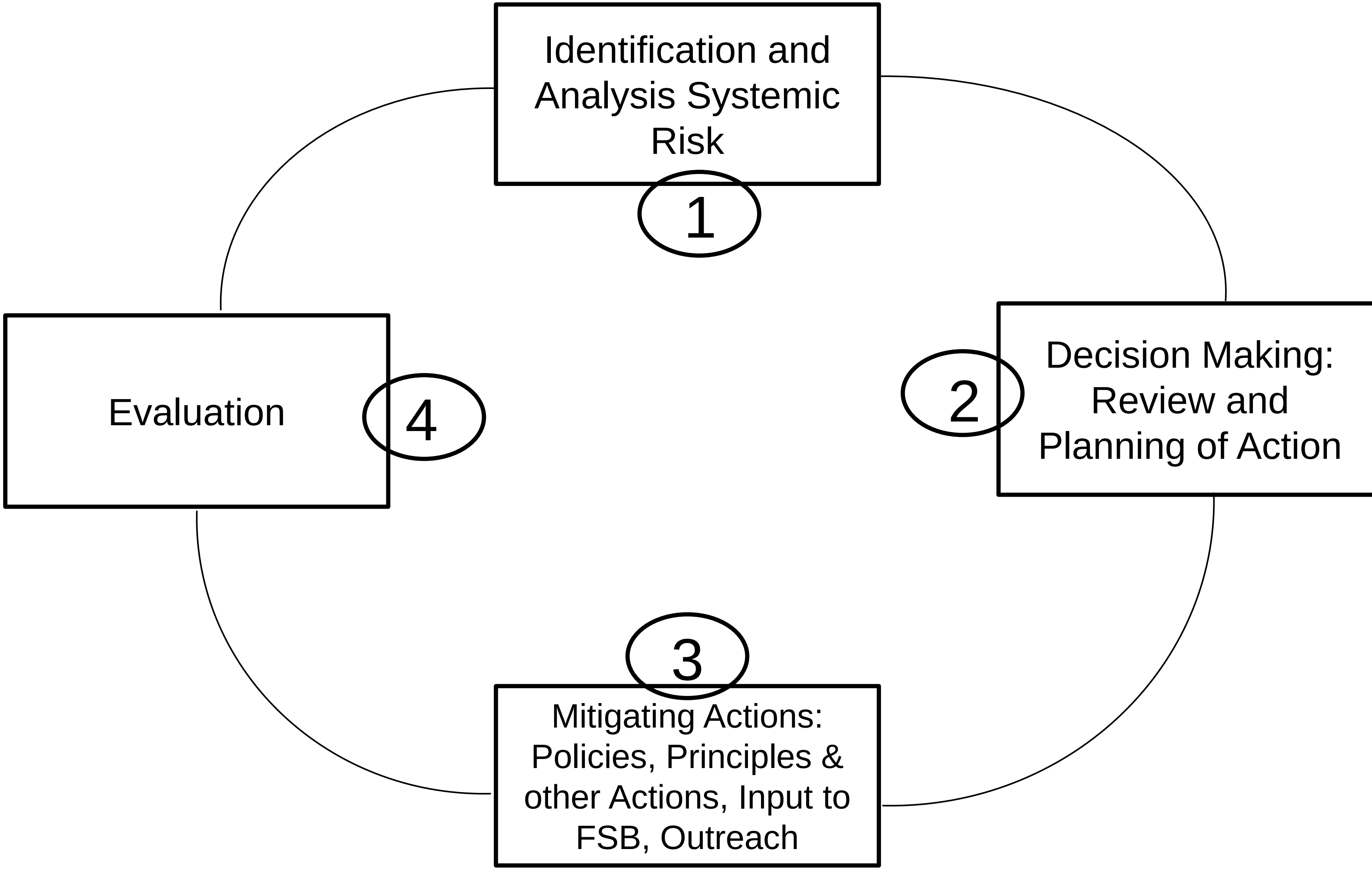
Methodology (1)



Methodology (II)



Research fitting into IOSCO´s work



IOSCO Main Risks

1. The *return of leverage* in products and investments can *destabilize* markets when interest rates go up.
2. *Capital flow volatility* in EM takes place in better developed markets of today, but is *harming economic growth already*. IOSCO will take a pro-active role in developing market structures.
3. At the moment *we are unable to assess the impact of the changes and challenges of the collateral space* and we need much more disclosure.
4. Big changes in derivatives markets *move risks around but don´t take them away*. Pooling them in CCPs make CCPs *too important to fail*.
5. *Cyber attacks* getting more sophisticated and become a threat to the functioning of critical infrastructure.