

Fact Sheet



**INTERNATIONAL ORGANIZATION OF
SECURITIES COMMISSIONS**

FEBRUARY 2018

International Organization of Securities Commissions

The International Organization of Securities Commissions (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. 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.

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Secretary General: Paul Andrews

Date Founded: April 1983

Current No. of Members: 217

Scope of Activities:

IOSCO was established in 1983. Its membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and includes all the major emerging markets.

The **IOSCO Objectives and Principles of Securities Regulation** have been endorsed by both the G20 and the Financial Stability Board (FSB) as the relevant standards in this area. They are IOSCO's main instrument to develop and implement 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.

Objectives

IOSCO members have resolved:

- 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.

Core Standards

The Objectives and Principles of Securities Regulation (May 2017)

<http://www.iosco.org/library/pubdocs/pdf/IOSCOPD561.pdf>

Categories of Members:

There are three categories of members: ordinary, associate and affiliate. In general, the ordinary members (127) are the national securities commissions in their respective jurisdictions. Associate members (26) are usually agencies or branches of government, other than the principal national securities regulator in their respective jurisdictions, that have some regulatory competence over securities markets or intergovernmental international organizations and other international standard-setting bodies, such as the IMF and the World Bank, with a mission related either to the development or the regulation of securities markets. Affiliate members (64) are self-regulatory organizations, stock exchanges, financial market infrastructures, investor protection funds and compensation funds, and other bodies with an appropriate interest in securities regulation.

IOSCO Committees:

Presidents Committee

The Presidents Committee is composed of all the Presidents (Chairs) of ordinary and associate members and meets once a year during the Annual Conference.

The IOSCO Board

The IOSCO Board is the governing and standard-setting body of IOSCO, and is made up of 34 securities regulators. Mr. Ashley Alder, Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Panama,

Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America (two members)

The IOSCO Board reviews the regulatory issues facing international securities markets and coordinates practical responses to those concerns. The policy work of IOSCO is conducted by eight policy committees, each one working in one of the following policy areas under the guidance of the Board and supported by the General Secretariat:

- C1 Issuer Accounting, Audit and Disclosure;
- C2 Regulation of Secondary Markets;
- C3 Regulation of Market Intermediaries;
- C4 Enforcement and the Exchange of Information
- C5 Investment Management;
- C6 Credit Rating Agencies;
- C7 Derivatives; and
- C8 Retail Investors

The IOSCO Board established a Board-level Task Force in 2012 to identify and consider benchmark related issues (including transparency, methodology, governance, oversight) and factors to be considered in a transition to an alternative benchmark. In 2013, it issued 19 principles to support the quality and resilience of benchmarks.

The Assessment Committee and the Committee on Emerging Risks are also under the aegis of the IOSCO Board:

Assessment Committee

Created in 2012, the Assessment Committee seeks to encourage full, effective and consistent implementation of Principles and Standards across the IOSCO membership.

Committee on Emerging Risks

The Committee on Emerging Risks (CER) was established in 2011 to support IOSCO and its Board in the identification of trends, vulnerabilities and risks in global securities markets. The Emerging Regulatory Issues Department (ERI) partners with the CER to help shape Board priorities through the development of the *Risk Outlook*. The ERI coordinates the Secretariat's contributions to the FSB's key risk identification and risk assessment work.

Growth and Emerging Markets Committee

The Growth and Emerging Markets Committee (GEMC) is the largest Committee within IOSCO, representing more than 75% of the IOSCO's ordinary membership. Mr Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEMC. The 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 GEMC comprises 89 ordinary members who include some of the world's fastest growing economies and 10 of the G-20 members. Emerging economies are expected to represent a growing portion of IOSCO membership as new members continue to join.

IOSCO is one of the few international standard setters that have a committee solely responsible for emerging market issues. This inclusiveness increases IOSCO's effectiveness and positions it to play

a stronger role in shaping the global regulatory framework: The chairman of the GEMC participates as an observer at the Financial Stability Board Plenary. The GEMC also has a seat on the IFRS Foundation Monitoring Board.

Regional Committees

Four regional committees meet to discuss specific regional issues: the Africa/Middle-East Regional Committee, the Asia-Pacific Regional Committee, the European Regional Committee and the Inter-American Regional Committee.

Affiliate Members Consultative Committee

The Affiliate Members Consultative Committee (AMCC) is comprised of exchanges, self-regulatory bodies, and entities with regulatory tasks, market infrastructures, international non-governmental entities and investor protection funds. Despite the differences that exist among AMCC members with regard to the scope of their work and terms of reference, members proactively cooperate with one another and support IOSCO work streams, providing input, and sharing expertise and experiences based on their proximity to market participants.

The AMCC is currently chaired by Mr. Jose Carlos Doherty, the CEO of the Brazilian Financial and Capital Markets Association or ANBIMA.

IOSCO Work

Financial Crisis Related Work

Much of IOSCO's recent policy work responds to the global financial crisis. Examples include the work on OTC derivatives, financial market infrastructures, benchmarking, market integrity and efficiency, credit rating agencies and hedge funds. Some items of IOSCO's work have been specifically requested by the G20 or the Financial Stability Board (FSB).

Interagency Work

Also important is IOSCO's work with the Basel Committee on Banking Supervision on securitization and global standards for margin requirements for non-centrally cleared derivatives. This work is an important plank of the global financial reform agenda. IOSCO also works in collaboration with the Committee on Payments and Market Infrastructures (CPMI) to enhance coordination of standard and policy development and implementation regarding clearing, settlement and reporting arrangements, including financial market infrastructures worldwide, both within and across jurisdictions.

Other Work

In the past few years, IOSCO policy work has focused increasingly on efforts to monitor the implementation of its standards and principles, and to prepare capital markets for a larger role in financing economic growth. The eight IOSCO policy committees are working on issues surrounding enforcement, data, asset management, bond market liquidity, fintech and other innovative technologies, corporate governance, audit quality, and investor protection and education as a means to strengthen investor confidence and create the conditions for sustainable economic growth.

Various IOSCO committees are working to support members in enhancing cyber resilience in securities markets and in using regulatory technology for market oversight and supervision. In February 2017 IOSCO published the *IOSCO Research Report on Financial Technologies*,

which describes various innovative business models and emerging technologies that are transforming the financial services industry.

The Assessment Committee conducts programs to identify and assess implementation of IOSCO's Objectives and Principles of Securities Regulation and other standards and policies set out in IOSCO reports or resolutions ('IOSCO Standards') across the IOSCO membership.

Cyber Resilience and financial technology

IOSCO is conducting work to further support its members and market participants in enhancing cyber security in securities markets. In February 2017, IOSCO published the *IOSCO Research Report on Financial Technologies*, which describes various innovative business models and emerging technologies that are transforming the financial services industry. On 6 April 2016 it published the report *Cyber Security in Securities Markets – An International Perspective*. The report brings together insights and perspectives from IOSCO's various policy and regional committees and stakeholders on the topic of cyber resilience, and provides a review of the different regulatory approaches related to cyber security. It also describes the potential tools available to regulators to respond to the cyber risk, as well as some of the practices adopted by market participants.

At its meeting in October 2017, the IOSCO Board agreed to create a Board level Task Force on Cyber on Cyber Resilience

Capacity Building

IOSCO is also working on policy measures aimed at building capacity in emerging markets and supporting the creation of strong regulatory frameworks for sustaining growth in both emerging and developed markets. Its training assistance and education and training programs for members are a cornerstone of this effort.

Recent capacity building initiatives include:

- *A Capacity Building Online Toolkit for members*, launched on 8 March 2016 to assist IOSCO members in their efforts to develop and implement effective regulatory frameworks for capital markets regulation.
- *A program for regional hubs*, which began with Malaysia inaugurating the first hub in March 2017. In early October 2017, the Asia Pacific Hub held its first workshop on behavioral economics. This and future hubs will support IOSCO's overall educational and training capacity and offer custom-made programs for the different geographic regions.
- *Capacity Building On-line Toolkit*. Launched in March 2016, the toolkit comprised two components on risk-based supervision and enforcement. IOSCO is currently preparing four new components on secondary markets, collective investment schemes, financial market infrastructure and financial intermediaries. Each component provides a detailed module on the subject matter, a list and description of IOSCO standards and reports, case studies, webinars and presentations, bibliographies and academic research.
- *A Joint Global Certificate Program for Regulators of Securities Markets launched with the Program on International Financial Systems at Harvard Law School*.

The second edition of Phase I of the two-phase IOSCO/PIFS Harvard Law School Global Certificate Program took place at IOSCO's premises in Madrid, from 19 to 30 June 2017, and covered the fundamentals of securities regulation and compliance.

Phase II, administered by Harvard, was conducted at Harvard Law School in Cambridge, Massachusetts on 3-8 December 2017. Phase II focused on current and future regulatory challenges and emerging issues, delivered by leading Harvard academics, securities regulators and leading public policy makers. Of the 50 participants, 39 had already completed both weeks of Phase I in Madrid. At the end of the Harvard session, these 39 participants received their Certificate for completing the full three weeks of the IOSCO program, including the required online learning materials and the modules of the IOSCO Capacity Building Online Toolkit.

Since the program began two years ago, a total of 185 IOSCO members have enrolled in it and 79 have completed the full program.

IOSCO Multilateral Memorandum of Understanding: The international benchmark for enforcement-related cooperation and exchange of information.

The *Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (MMoU) is the instrument used by securities regulators to help ensure effective global regulation and preserve and strengthen securities markets around the globe.

Since its launch in 2002, the MMoU has provided a mechanism through which securities regulators share with each other essential investigative material, such as beneficial ownership information, and securities and derivatives transaction records, including bank and brokerage records. It sets out specific requirements for the exchange of information, ensuring that no domestic banking secrecy, blocking laws or regulations prevent the provision of enforcement information among securities regulators. For 15 years, regulators have used the MMoU to help ensure effective global cooperation and strengthen international securities markets.

As of January 2018, there were 117 signatories to the IOSCO MMoU. Twelve others were listed on Appendix B, the list of members who have formally expressed their commitment to seek the legislative and administrative changes necessary for achieving MMoU compliance, and one member was in an initial review process. In total, 13 ordinary members remained non-signatories to the MMoU at that time.

Most of the 13 members on the IOSCO List of Non-signatories ('2013 MMoU List'),¹ have taken concrete steps to address through legislative amendments the issues preventing them from complying with all MMoU requirements.

A large increase in the number of signatories over the last decade has led to a sharp upsurge in cross-border cooperation, enabling regulators to investigate a growing number of insider traders, fraudsters and other criminal offenders. In 2006, a total of 526 requests for assistance

¹ The Executive Committee decided that IOSCO should create a list after 1 January 2013 to include Members who had failed to file an application to advance to Appendix A of the IOSCO MMoU. The list is called '2013 List', but it is kept updated.

were made by IOSCO members pursuant to the MMoU; the annual figure increased to 3,203 in 2015 and to 3,330 in 2016.

Despite this success, securities markets have undergone sweeping changes in recent years, driven by things such as new technologies and regulation, and the growing role of market-based finance.

These forces led IOSCO to launch in April 2017 an enhanced standard on cross-border enforcement information exchange that builds on the success of the MMoU. The *Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (EMMoU)* offers securities regulators new enforcement powers for responding to the challenges arising from recent developments in global financial markets.

The ACFIT powers, as they are known, enable members to:

A: Obtain and share **Audit** work papers, communications and other information relating to the audit or review of financial statements;

C: Compel physical attendance for testimony (by being able to apply a sanction in the event of non-compliance);

F: Freeze assets if possible or, if not, advise and provide information on how to freeze assets, at the request of another signatory;

I: Obtain and share existing **Internet** service provider records (but not the content of communications), including with the assistance of a prosecutor, court or other authority, and to obtain the content of such communications from authorized entities; and

T: Obtain and share existing **Telephone** records (but not the content of communications), including with the assistance of a court, prosecutor, or other authority, and to obtain the content of such communications from authorized entities.

In addition, the EMMoU envisages the obtaining and sharing of existing communications records held by regulated firms.

Securities regulators have been required to sign the MMoU to become a member of IOSCO. Now, the MMoU will remain in effect as long as any signatories wish to use it. However, the objective is for all MMoU signatories to migrate eventually to the EMMoU. The General Secretariat began accepting EMMoU applications from members on 3 April 2017 and by early February 2018 twelve jurisdictions had submitted their applications. The Screening Group reviewed nine of those applications, one of which was invited to become an EMMoU signatory in January 2018. Several other applications are ready to be submitted to the Decision Making Group.

The 2020 Strategic Direction

At its Annual Conference in June 2015, IOSCO approved its 2020 Strategic Direction, which envisages that its goal for the rest of this decade will be to reinforce its position as the key global reference point for securities regulation. The strategy and the goal will be implemented through 43 initiatives in Action Plans covering six priority areas:

- *Research and Risk Identification*: Identifying risks arising from securities markets, including market activities, technology and product developments, and unintended consequences of changes or proposed changes in laws and regulations;
- *Standard Setting and Developing Guidance*: Improving the international regulatory framework for securities markets by developing standards and guidance that are timely, responsive to market developments and internationally recognized;
- *Implementation Monitoring*: Promoting implementation of IOSCO standards through monitoring and assessment;
- *Capacity Building*: Addressing capacity building needs of its members, particularly in growth and emerging markets;
- *Co-operation and Information Exchange*: *Strengthening the exchange of information and co-operation in the enforcement of markets regulation*, and in the supervision of markets and market intermediaries; and
- *Collaboration and Engagement with other International Organizations*: Ensuring effective representation of IOSCO's views in other international organizations and effective collaboration with other standard setters within the international financial regulatory community.

IOSCO Reports

The following are some of the reports that IOSCO has issued recently. Links to these and other IOSCO reports may be found in the IOSCO library at <http://www.iosco.org/library/>.

FR/02/2018 Open-ended Fund Liquidity and Risk Management – Good Practices and Issues for Consideration, Report of the Board of IOSCO, 01 Feb 2018 –

FR01/2018 Recommendations for Liquidity Risk Management for Collective Investment Schemes, Report of the Board of IOSCO, 01 Feb 2018

Statement on Matters to Consider in the Use of Financial Benchmarks, Statement of the Board of IOSCO, 05 Jan 2018

FR23/2017 IOSCO Report on Good Practices for the Termination of Investment Funds, Report of the Board of IOSCO, 23 Nov 2017

FR22/2017 Report on the Fourth IOSCO Hedge Funds Survey, Report of the Board of IOSCO, 23 Nov 2017

Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest, The Monitoring Group, 9 Nov 2017

FR21/2017 Implementation Report: G20/FSB Recommendations related to Securities Markets, Report of the Board of IOSCO, 08 Nov 2017

FR20/2017 Update to the IOSCO Peer Review of Implementation of Incentive Alignment Recommendations for Securitisation, Report of the Board of IOSCO, 03 Nov 2017

FR19/2017 Update to the IOSCO Peer Review of Regulation of Money Market Funds,
Report of the Board of IOSCO, 03 Nov 2017

FR18/2017 Other CRA Products, Report of the Board of IOSCO, 10 Oct 2017

**Statement on the ISDA Credit Derivatives Determinations Committees and CDS
auction processes,** Statement of the Board of IOSCO 10 Oct 2017

FR17/2017 Technical Guidance - Harmonisation of the Unique Product Identifier,
Report of the Committee on Payments and Market Infrastructures and the Board of IOSCO
28 Sep 2017

**CR06/2017 Regulatory Reporting and Public Transparency in the Secondary
Corporate Bond Markets,** 14 Aug 2017

**FR16/2017 Thematic Review of the Adoption of the Principles set forth in IOSCO's
Report: Recommendations Regarding the Protection of Client Assets,** Report of the
Board of IOSCO 27 Jul 2017

**FR15/2017 Implementation monitoring of PFMI: Level 2 assessment report for
Singapore,** Report of the Committee on Payments and Market Infrastructures and the
Board of IOSCO 18 Jul 2017

**FR14/2017 Implementation monitoring of the PFMI: Fourth update to Level 1
assessment report,** Report of the Committee on Payments and Market Infrastructures
and the Board of IOSCO 14 Jul 2017

**CR05/2017 Open-ended Fund Liquidity and Risk Management – Good Practices
and Issues for Consideration,** Report of the Board of IOSCO 06 July 2017

CR04/2017 Consultation on CIS Liquidity Risk Management Recommendations,
Report of the Board of IOSCO 06 Jul 2017

**CR03/2017 Criteria for identifying simple, transparent and comparable short-term
securitisations,** Report of the Basel Committee on Banking Supervision and the Board of
IOSCO 06 July 2017

**FR13/2017 Chairs' Report on the Implementation of the Joint Workplan for
Strengthening the Resilience, Recovery and Resolvability of Central
Counterparties,** Report of the Committee on Payments and Market Infrastructures and
the Board of IOSCO 05 July 2017

FR12/2017 Analysis of Central Clearing Interdependencies, Report of the Committee
on Payments and Market Infrastructures and the Board of IOSCO 05 July 2017

FR11/2017 Recovery of financial market infrastructures and Cover Note, Report of
the Committee on Payments and Market Infrastructures and the Board of IOSCO 05 July

**FR10/2017 Resilience of central counterparties (CCPs): Further guidance on the
PFMI and Cover Note,** Report of the Committee on Payments and Market Infrastructures
and the Board of IOSCO 05 July 2017

FR09/2017 Country Review: Democratic Socialist Republic of Sri Lanka, IOSCO Objectives and Principles of Securities Regulation, Detailed Assessment of Implementation, Report of the Board of IOSCO 30 Jun 2017

CR02/2017 Framework for supervisory stress testing of central counterparties (CCPs) and Cover Note, Report of the Committee on Payments and Market Infrastructures and the Board of IOSCO 28 Jun 2017

CR01/2017 Harmonisation of critical OTC derivatives data elements (other than UTI and UPI) – third batch, Report of the Committee on Payments and Market Infrastructures and the Board of IOSCO 27 June 2017

FR08/2017 Order Routing Incentives, Report of the Board of IOSCO 19 Jun 2017

FR07/2017 IOSCO Task Force Report on Wholesale Market Conduct, Report of the Board of IOSCO 13 Jun 2017