

IOSCO Research

The Research Function of IOSCO consists of a small Research Department at the General Secretariat, headed by Mr. Werner Bijkerk, and a Committee on Emerging Risks, chaired by Mr. Carlos Tavares, Chairman of the Portuguese securities market regulator. It was set up in 2010 under the new strategic direction 2010-2015 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. Since securities markets are characterized by rapid change and financial innovation, securities regulators in their jurisdictions, and IOSCO at a global level, need to be aware of new products, business models, activities, participants and potential systemic risks. Research will help IOSCO focus its strategic policy agenda and inform its policy work.

The identification of global risks

In October 2013 the first *IOSCO Securities Market Risk Outlook 2013-2014* was published. It was the first in what is to be an annual series of Outlooks that aim to identify and assess potential global systemic risks arising from securities markets. This Outlook was written by the Research Department. It is based on a number of inputs, including data collection and robust analysis, construction of quantitative systemic risk indicators, extensive market intelligence, interviews with key figures in major financial centers, risk roundtables with prominent members of industry and regulators, a survey on emerging risks to the market, analysis from academia and the regulatory community, input from IOSCO's Committee on Emerging Risks (CER, formerly known as the Standing Committee on Risk and Research) and risk reports and presentations by experts. The Outlook synthesizes these inputs and adopts a global and forward-looking approach to understanding risks that could become systemic. It also highlights some noteworthy trends and potential vulnerabilities.

The main risks highlighted in the Outlook are risks associated with 1) the low interest rate environment and the search for yield 2) risks associated with collateral management in a stressed funding environment 3) risks in the derivatives space 4) and risks associated with a reversal of capital flows to Emerging Markets.

The launch of a series of in-depth studies on pressing global issues

The Research Department also started publication of a series of in-depth Staff Working Papers on issues

of growing concern to financial markets. Papers were published on:

- > The potential systemic risks of *Cybercrime in Securities Markets*. The report was based on unique information obtained from a survey of Securities Exchanges, in collaboration with the World Federation of Exchanges;
- > The risks and benefits of *Crowdfunding*, and;
- > A global perspective on *Corporate Bond Markets*, including potential systemic risks and the role in market-based and long-term financing.

Starting data collection

IOSCO has never had a statistics department, despite a general need for basic global information and data on securities markets. Therefore, with the technical support and expertise of BaFin of Germany, the Research Department launched in November 2013 a statistical website providing global and regional statistics on segments of the securities markets. The statistical website is updated monthly and will be gradually expanded with data on other market segments and with modelled statistics on risks.

Outreach and debate

Staff of the Research Department have delivered numerous key note speeches, panel presentations and training sessions at meetings and events held by IOSCO members, other regulatory organizations, and market



participants. The Research Department also organizes a risk roundtable for each IOSCO Board meeting, where experts exchange views with Board members on a specific issue. The issues debated in 2013 were potential systemic risks threatening securities markets, cyber threats, and risks to emerging markets.

Participation in other global systemic risk identification fora

In its capacity as a global standard setter of securities market regulation, IOSCO supports the global risk identification and mitigation efforts by the G20, the Financial Stability Board, the International Monetary

Fund, the Committee on Payment and Settlement Systems and other organizations that deal with similar issues, such as the European Systemic Risk Board and the European Central Bank. Therefore, the staff of the Research Department and the chairman of the CER actively engage in discussions with these institutions on potential systemic risks in securities markets. Ultimately, efforts towards identifying, monitoring and mitigating risks throughout the financial system should promote an appropriate degree of financial stability by helping curb excessive risk taking, improving investor protection and facilitating capital formation.