



# Annual Report 2014

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS



# Annual Report 2014

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS





# IOSCO OBJECTIVES

- 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.

# I O S C O M E M B E R S H I P



-  IOSCO MEMBERSHIP
-  NON-MEMBER JURISDICTIONS



# TABLE OF CONTENTS

- 06 > Report from the Chair of the IOSCO Board**
- 10 > Report from the Chair of the Growth and Emerging Markets Committee**
- 14 > Report from the Chair of the Affiliate Members Consultative Committee**
- 18 > Report from the IOSCO Secretary General**
- 20 > Activities of IOSCO's Policy Committees and Task Forces**
- 34 > Inter-Agency Work**
- 38 > IOSCO's Regional Committees**
  - 38 > Africa/Middle-East Regional Committee
  - 42 > Asia-Pacific Regional Committee
  - 44 > European Regional Committee
  - 48 > Inter-American Regional Committee
- 50 > Implementation and the MMoU**
  - 50 > Assessment Committee
  - 56 > MMoU Screening Group
- 58 > IOSCO Research**
- 60 > IOSCO's Education and Training Program**
- 64 > General Information on IOSCO**
- 68 > IOSCO Members**
- 72 > Auditor's Report on the Financial Statements**
- 74 > Financial Statements**



## Report from the Chair of the IOSCO Board

### Greg Medcraft

- > Chair of the IOSCO Board
- > Chair, Australian Securities and Investments Commission

**This year has, again, been one of considerable achievement for IOSCO.**

**We have continued to develop policy and guidance of value to our members. We have continued to scan the horizon to understand and address the risks the markets we regulate face and pose. We have continued our work on supporting members in their efforts to build their regulatory capacity. Our implementation monitoring activity has intensified.**

Co-operation between our members has continued to strengthen.

We have played an increasingly active and vocal role in developing the global regulatory agenda in a year that has seen a greater focus by the Financial Stability Board and the G20 on the risks financial markets pose.

And finally, we have agreed a strategic direction to 2020, building on our many post-crisis achievements.

We have now much to be proud of as the proactive, forward-looking key global reference point for securities regulation.

These achievements are the result of a huge contribution from across IOSCO. I want, in particular, to thank Secretary General David Wright, his deputy, Tajinder Singh, and the IOSCO General Secretariat for their continuing commitment and hard work in supporting and driving this work.

I want to thank the leaders and members of our committees and task forces for their time and effort in developing and finalizing work of the highest quality.

I want also to thank the leaders and members of the Growth and Emerging Markets Committee, the Affiliate Members Consultative Committee and each of our regional committees for their sterling contribution, both in identifying the issues we need to prioritize and driving solutions.

I want also to thank the Board and particularly my Vice Chairs Howard Wetston and Ranjit Singh for their unerring support in carrying forward our heavy work agenda.

I want finally to thank Leonardo P. Gomes Pereira and the Brazilian CVM for hosting a particularly successful Annual Conference in Rio de Janeiro in September 2014.

Let me expand on what I see as each of our achievements.

## Our Achievements

### Supporting the FSB and G20 Agenda

Our **policy achievements** have been significant. As we come together in London for the IOSCO 2015 Annual Conference, we will be publishing our report on Credible Deterrence in Enforcement of Securities Regulation and will be about to finalize our report on Cross-Border Regulation. The guidance in these reports goes to the very heart of what we as financial services and markets regulators do in an increasingly globalized world. They provide food for thought for all of us and lay the foundation for an increasing alignment of our approaches.

We can also point to progress in other policy areas.

We have revised our *Code of Conduct Fundamentals on Credit Ratings Agencies*. We have developed a strategic framework for our work on investor



education and financial literacy. We have worked with the Basel Committee to develop criteria for simple, transparent and comparable securitizations. We have worked with the Committee on Payments and Market Infrastructures (CPMI) to address the risks posed by central counterparties, with important guidance published last year on the recovery of financial market infrastructures. We have developed risk mitigation standards for non-centrally cleared derivatives.

We continue work on cyber resilience, on audit quality, business continuity and recovery planning. In the asset management area, we continue work on custody and reducing reliance by asset managers on credit ratings.

#### Research and Risk Identification

We have also devoted much time and effort to **research and risk identification** to help us better understand the current and over-the-horizon risks we face globally.

At the Board level, we have held roundtables which have focused on two areas I believe pose important challenges for us – weaknesses in corporate governance and culture and the particular challenges posed by digital disruption.

Our Research Function published its well-received *Securities Markets Risk Outlook 2014-2015*, which again provided a thorough and unique perspective on

the risks we face across both developed and growth and emerging markets. Our Affiliate Members Consultative Committee has also been active in this area through the work of its Ahead of the Curve Working Group and its Task Force on Cyber Resilience.

#### Implementation Monitoring

This year has also seen the emergence of our **implementation monitoring work** as a key IOSCO activity. In the 12 months to July, we are aiming to have published eight reports on Thematic Reviews conducted by the Assessment Committee about implementation of IOSCO guidance in areas as diverse as financial benchmarks, money markets funds and disclosure regulation. With the CPMI, we have also published reports on the implementation of the *Principles for Financial Markets Infrastructure*.

These projects have each identified the further work needed by us and by those we regulate to implement reforms in what are priority areas.

We will also shortly publish the report of our first Country Review about Pakistan's implementation of IOSCO's *Principles of Securities Regulation*. Our work with our Pakistani colleagues shows the role Country Reviews can play in flagging gaps in regulation and regulatory capacity that need to be addressed to meet the international standards foreign investors want to see before investing in new and emerging markets.



### Capacity Building

We have also progressed IO스코’s work to support building the regulatory capacity of our members. We are very grateful to our nominated Board members for their one off contribution to fund capacity building initiatives. These initiatives include the design and development of online tools and seminar programs in areas identified as priorities by our members. The Secretariat has progressed this work with plans to roll out final products by early 2016. Our thinking on the development of regional hubs has also progressed.

### Co-operation

**Co-operation** between our members has continued to strengthen. We now have 105 signatories to the MMoU. Members made more than 3,000 requests under the MMoU in 2014, up from 2,650 the year before.

We have progressed our thinking about enhancements to the IO스코 MMoU to reflect the many market and technological developments that have taken place in the years since it was first drafted in 2002.

Importantly we have also launched our Secondment Register, which will assist in identifying and meeting secondment opportunities across our membership.

### Engagement with the FSB and the G20

Our **role in the work of the Financial Stability Board and the G20** has also increased in the last year. This has been driven by their interest in understanding the risks posed by market-based finance and, more broadly, the markets we regulate.

Our challenge has been twofold. The first has been to ensure the tools and approaches we use and apply are understood before decisions are made about the need for and nature of any further work. The second has been to ensure we have a leading role to play in any further work that might be needed.

We have developed a strong voice in FSB meetings – at the plenary, steering committee and standing committee level. IO스코 members sitting on the FSB Plenary now meet in advance of meetings to co-ordinate our concerns and positions.

We have also pushed for our membership of standing committees to be increased. I am particularly pleased that Natasha Cazenave of the AMF France has been appointed co-Chair of the FSB Work Stream on Shadow Banking. This will help ensure our voice – the voice of experts - is heard.

We have also played a role in supporting the G20 Agenda on economic growth. Our report on *Market-Based Long-*





*Term Financing Solutions for SMEs and Infrastructure* published in September 2014 identified 20 innovative and effective uses of markets to finance SME's and infrastructure. It was well received and has provided us with a basis for actively participating in discussions at the G20 level, in particular on the role our markets should play in supporting economic growth.

### IOSCO 2020

And finally we have agreed a Strategic Direction to 2020. The Strategic Direction builds on and intensifies our very good work since 2010 across all our programs.

Importantly it highlights that what IOSCO offers our members is an integrated package of services – research and risk identification, guidance on regulatory approaches and support in implementing and administering that guidance.

I am confident that the Strategic Direction once executed will reinforce our position as the key global reference point for securities regulation, not only for our members but for our many stakeholders.

### The Year Ahead

We need to ensure that in the coming year we build on the achievements of this year. We need also to ensure

that we are disciplined about the projects we take on. They must be projects of real and lasting value to our members in addressing the challenges and risks we all face.

I will have three particular priorities as Board Chair in the coming year.

The first will be to ensure we closely monitor and address the challenges and opportunities posed by technological innovation and digital disruption. We took the first steps in this area with our roundtable at the Seoul Board meeting in February of 2015. We need to stay on top of these issues if IOSCO and our members are to remain ahead of the game.

The second is to ensure we continue to have a strong voice at the FSB and in other fora as approaches are developed to market-based finance. We must ensure that our expertise and our experience not only inform but are the basis for any work done in these areas.

The third is to continue to prioritize building the regulatory capacity and capability of our members from growth and emerging markets. This work will benefit all IOSCO members – whether from developed or from growth and emerging markets. It will help build a level regulatory playing field across global markets and so reduce regulatory barriers to cross- border activity.



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

### Ranjit Ajit Singh

- > Vice Chair of the IOSCO Board
- > Chair of the Growth and Emerging Markets Committee
- > Chairman of the Securities Commission Malaysia

**It is my privilege to present this year's Report of the Growth and Emerging Markets (GEM) Committee. As emerging markets have taken on greater prominence in the global financial agenda, particularly in the context of a less favorable external environment, the GEM Committee has in 2014 devoted significant efforts towards ensuring that regulatory issues of importance to GEM members are appropriately discussed and considered within the organization.**

In recognition of the important role of growth and emerging markets, the GEM Committee's participation and influence was strengthened by having two additional seats on the IOSCO Board. Additionally, the office of a second Vice Chair for the GEM Committee was established during the IOSCO Annual Conference in Rio de Janeiro in September 2014. Membership of the GEM Steering Committee was also formalized following the outcome of the elections of the IOSCO Board in Rio de Janeiro, and comprises CVM Brazil, CSRC China, Dubai FSA, FSA Egypt, SEBI India, CMA Kenya, FSS Korea, SC Malaysia, SEC Nigeria, SEC Pakistan, SMV Peru, CMA Saudi Arabia, FSB South Africa, SEC Thailand, SEC Trinidad and Tobago and CMB Turkey.

The work and efforts of the GEM Committee continued to gain traction throughout 2014, and I am encouraged by the growing interest to participate in the committee. With the increased membership, the number of GEM Committee members currently stands at 93, and represents approximately 75% of the total IOSCO membership. There has been also significant interest by international organizations and entities to partner and collaborate with the GEM Committee through joint work streams, workshops, conferences etc.

Issues pertaining to emerging markets were deliberated widely by the IOSCO Board. A roundtable discussion

dedicated to risks within growth and emerging markets, and the implications of these risks for global financial markets and for growth and emerging markets in particular, was held during the IOSCO Board meeting in Kuala Lumpur in February 2014. Further, through the GEM Committee's representation on the Financial Stability Board, we sought to ensure that capital-market related issues of relevance to emerging markets are elevated in global regulatory discussions. This includes highlighting the unintended consequences of global regulatory reform and emerging risks in growth and emerging markets.

In 2014, the GEM Committee continued to focus on three strategic priorities in the areas of policy work; regulatory capacity building and market development; and risks and vulnerabilities assessments in emerging markets. This follows from the GEM Committee's strategic review which was endorsed by members at its meeting in Luxembourg in September 2013.

### Enhancing regulatory capacity building and market development

Capacity building remains a key priority for GEM Committee members who require increased support to strengthen their regulatory capacity and infrastructure. This was reinforced by a survey conducted in 2014 by the GEM Committee which clearly articulated the





priority capacity building needs of members. The additional Board contributions agreed to in 2014 will progress the implementation of capacity building initiatives in some of these priority areas. Further, as part of the efforts to scale up capacity building activities and to better leverage on regional expertise and infrastructure, work has also commenced on the development of a framework for IOSCO Regional Capacity Building Hubs.

With the support of the IOSCO General Secretariat, the GEM Committee continued to actively pursue its capacity building efforts for members. Market Development Workshops were held during the course of the year, focusing on SME financing, risk based supervision, demutualization and its impact on exchange regulation and supervision, and improving financial access and capacity through investor education. The workshops were very well-received by participants, garnering high-level speakers from developed and emerging markets.

## Deepening regulatory and policy work

Recognizing the importance of capital markets in providing long-term financing to facilitate domestic capital market development, I had the opportunity to co-chair with Howard Wetston, Chair of the Ontario Securities Commission, IOSCO's Task Force on Long-Term Financing, where seven of the eighteen members are from the GEM Committee. The Task Force's research note on *Market-Based Long-Term Financing Solutions for SMEs and Infrastructure* was delivered to the G20 Finance Ministers and Central Bankers in September 2014. The research note is particularly relevant for emerging markets given the growing need for long term-financing, and provides innovative solutions on infrastructure and SME financing that have been applied in both developed and emerging markets. As part of the efforts leading to the publication of the research note, the GEM Committee also organized a conference on this topic during its GEM Annual Meeting in April 2014.





The GEM Committee is currently finalizing policy work on regulatory issues affecting emerging markets, namely, *Financing of SMEs through the Capital Markets*, as well as joint work with the World Bank in the *Development of Mutual Funds in Emerging Markets*. These reports are expected to be published by end 2015.

### **Strengthening assessment of risks and vulnerabilities in emerging markets**

In the course of 2014, the GEM Committee continued to regularly exchange strategic views and monitor developments in other markets with the aim of converging on areas that are of importance in the

emerging markets' regulatory sphere. In our efforts to be more effective and forward looking in identifying major risks and vulnerabilities, the GEM Committee held a series of engagements with international financial institutions and leading global market players on emerging risks and their impact on systemic stability. The Board roundtable discussions on risks within emerging markets were also insightful in informing many of our domestic efforts on risk management.

### **Focus and priorities for 2015**

The GEM Committee will continue to focus its efforts so that it remains a highly relevant platform for GEM





members, and that key issues relevant to GEM are encapsulated within the broad spectrum of IOSCO's work and activities. This is in line with IOSCO's Strategic Direction 2015-2020 which seeks to ensure that the needs and interest of GEM members are integrated into each of IOSCO's priorities.

As IOSCO is the only international standard setter that has a dedicated Committee to growth and emerging markets, it is important that the organization continues to build on past efforts and leverage on the structure, experience and expertise within the membership. This involves, among others, maintaining the momentum on regulatory capacity

building and moving forward on fresh initiatives, including strengthening crisis preparedness and contingency planning and providing tangible and practical guidance to support the development of domestic capital markets.

I would like to take this opportunity to acknowledge the important contributions and commitment of the GEM Steering Committee, the IOSCO Secretary General and the General Secretariat to our work. I would also like to express my appreciation to the Board Chair and Board members for their continuous support of the GEM Committee and its efforts.



## Report from the Chair of the Affiliate Members Consultative Committee (Formerly known as the SRO Consultative Committee)

### José Carlos Doherty

- > Chair of the Affiliate Members Consultative Committee
- > Chief Executive Officer, Brazilian Financial and Capital Markets Association (ANBIMA)

**The Affiliate Members Consultative Committee (AMCC) is an important forum for IOSCO affiliate members to exchange experiences and share expertise. By drawing on its members' front-line regulatory expertise and proximity to market participants, the AMCC contributes to IOSCO's discussions and supports its work.**

The changes in IOSCO's organizational structure approved in 2013 recognized the role and importance of the Affiliate Members Consultative Committee and facilitated a more effective integration of the AMCC in IOSCO's structure and work. In 2014, I started attending IOSCO Board meetings as an observer, a significant step forward to improve the coordination between the AMCC and the other IOSCO committees. Several representatives of the AMCC also now actively participate in IOSCO's policy committees, including with the task of leading new policy mandates. In addition to the AMCC representative, one other AMCC member can now attend IOSCO's policy committees as an observer. IOSCO increasingly relies on the AMCC to support its policy work, and contribute to its training and research activities, as well as to its efforts to identify emerging risks.

### AMCC's achievements in 2014

Over the last year, the AMCC continued to improve its organization and strengthen its links with the broader IOSCO community. The committee launched the AMCC Quarterly Newsletter, which provides information regarding important self-regulatory and market developments in the various jurisdictions represented in the AMCC. Regular AMCC calls are also now organized to discuss the progress of IOSCO's work and the organization's strategy.

In the course of 2014, the AMCC contributed to the important IOSCO 2020 Review and responded to the

two consultations regarding *IOSCO's Strategic Direction 2015 to 2020, its Mission, Goals and Priorities*. In its comments, the AMCC reiterated its support for IOSCO to have a strong public role and voice. It also welcomed the proposals made to strengthen AMCC collaboration across the range of IOSCO work.

In April 2014, the AMCC held in Tokyo its seventh regulatory staff training program on *Implementing IOSCO's Principles*. The seminar attracted close to 90 participants from 25 jurisdictions. Through its seven editions, the program has now reached a total of over 600 participants from almost 70 different countries. The three AMCC Task Forces established in late 2013 delivered their first contributions in 2014. They include the following:

- > **The AMCC Task Force on Emerging Risks** produced a report in June 2014 offering a categorization of risks and identifying a number of emerging risks and/or areas that merit greater attention from AMCC members. The list of risks/topics detailed in the report include, most notably: cross-border investment risks, issues relating to product names and product identifiers, potential conflicts of interest across a product life cycle, risks in the IPO market, SME funding through the unorganized sector, investment newsletters, or the protection of the elderly.
- > Following a preliminary assessment of IOSCO's needs with regard to data and a mapping of existing databases, the **AMCC Task Force on**







**Investment Funds Data** developed a Memorandum of Understanding between the International Investments Funds Association (IIFA) and IOSCO on data sharing. As a result, IOSCO's statistics website has been expanded to include key indicators and trends on the globally regulated investment funds space. Coverage will be expanded in the coming months.

- > The **AMCC Task Force on Cyber Resilience** finalized in December 2014 its first report, which presents the results of a fact-finding exercise conducted in July 2014. The survey aimed at gaining preliminary insight into the nature and extent of cyber-threats as perceived by the respondents, as well as gathering information regarding the tools and techniques implemented to address these threats. The report stresses the seriousness of the threat and identifies several areas where

more effort is needed, such as in training, data collection and information sharing, and security practices with respect to third parties and the use of mobile services. The report, which contributes to IOSCO's work on cybersecurity, also highlights the need for greater collaborative efforts at international level and stresses the role that market infrastructures, self-regulatory organizations (SROs) and industry organizations can play in increasing awareness and promoting best practices, in addition to strengthening their own cyber resilience.

Finally, the AMCC's Ahead of the Curve Working Group continued its important work in 2014, allowing members to identify new topics, trends, products and changing market practices in securities markets, as well as innovative regulatory approaches and potential regulatory and supervisory concerns.



## Objectives for 2015

The new framework in which the AMCC now operates establishes the conditions for developing a sound working relationship with other IOSCO committees and building a growing community of members. The committee is notably focused on:

- > serving members' needs and creating an efficient forum for them to exchange experiences, learn from one another and work together on topics of common interest;
- > delivering meaningful and timely contributions to IOSCO and the regulatory community, leveraging on members' specific expertise (market infrastructures, investment funds, investor protection/education, etc.) and proximity to markets.

Among the various topics addressed within the AMCC, the committee believes that the issue of cybersecurity is a topic of crucial importance for market participants, investors and for the safety of markets in general. It is also an area where regulators and AMCC members (SROs, exchanges, other associations) can work together to increase awareness and develop best practices. Cybersecurity will be a key focus of the work of the committee in 2015. Last but not least, the AMCC is committed to supporting IOSCO's ambitious strategy for capacity building. It will continue its successful track record for regulatory training and is looking into the possibility of organizing webinars for AMCC and other IOSCO members.





## Report from the IOSCO Secretary General

**David Wright**

> IOSCO Secretary General

**When the financial historians and academicians re-write history in the years to come, I wonder whether they will label 2014 as the year it became clear to all and sundry that the structure of the global financial system was changing irrevocably. As the new global capital and resolution rules begin to come into force, along with tougher bank liquidity requirements and leverage constraints, so has the realization dawned that market based financing -securities markets in all their different forms- is destined to play a much bigger role in the future financing of the global economy.**

This trend should be a welcome one. Academic evidence suggests that those economies with a plethora of financing instruments in addition to traditional bank credit, and with deep, liquid capital markets, including a full range of financing options for SMEs, tend to outperform those economies without them. If this paradigm is indeed correct, IOSCO's global standard setting role is destined to become much more important in the future. We are already seeing evidence of this trend around the world with many new initiatives, regional and local, to make capital markets work better in the future.

As IOSCO Board Chair Greg Medcraft rightly points out, it is essential for IOSCO and our securities regulators to remain highly influential and pro-active in the G20/Financial Stability Board and other global fora. We must ensure that global capital markets can intermediate the capital of savers and investors efficiently, while distributing (not necessarily eliminating) risk on the basis of sensible, well-calibrated standards with the necessary levels of consumer protection that enhance financial stability. Securities regulators are still under-represented at the FSB. This can result in excessive risk aversion in global policy conception and needs to be addressed.

Greg has urged IOSCO to think forward - in short, to shape the future and not be shaped by it. Where we have done this, we have set the global regulatory agenda and we have defined its regulatory parameters. Some examples of this include our

excellent work on benchmarking led by the UK FCA and US CFTC Chairs; our report identifying the elements of credible deterrence in the enforcement of securities regulation, which is so important given that the world's regulators have to date levied \$170 billion of fines on financial institutions with little discernible improvement in industry behavior; our joint work with the Committee on Payments and Market Infrastructures (CPMI) on matters relating to CCPs; our initiatives with the Basel Committee on Banking Supervision (BCBS) to revive good quality securitization based on simple, transparent and comparable securitization structures; our first class, innovative paper on SME and infrastructure financing for the G20 Summit in Cairns; our joint work with the BCBS on margin requirements for non-cleared OTC derivatives; our frontier thinking on the growing threats of cybercrime and the implications of the digital disruption that is beginning to affect the global financial industry; our new work on improving audit quality; and our legally complex and challenging work on the cross-border regulatory issues led by Ashley Alder, Chief Executive Officer of Hong Kong SFC.

In addition we have improved our analysis of securities markets risk in the *Securities Markets Risk Outlook*, while encouraging the Growth and Emerging Markets (GEM) Committee, the Affiliate Members Consultative Committee (AMCC) and our regional committees to increase their knowledge of emerging risks and to contribute to our global assessment. We are getting better at this but we need to improve even more



as the profile of major risks in financial markets continues changing so rapidly. IOSCO still has much to do to improve its gathering of basic data on securities markets that should be made available to all the membership and to deepen our understanding of market interconnectivity.

Three other significant developments in IOSCO need mentioning. First is the growing significance of our implementation work, ably led by Steven Bardy of the Australian Securities and Investments Commission. Second is the continuing success of the IOSCO Multilateral MOU on consultation, cooperation and information exchange - now with 105 signatories and with the prospect of further enhancement of global cooperation on enforcement. The MMOU is a classic example of a successful, practical, cooperative, regulatory instrument that works because its embedded incentives are truly aligned. Third, I am pleased to report, is that IOSCO's finances continue to be on a much sounder footing, though IOSCO needs more resources in the future to address the expectations of its members and other stakeholders.

As I enter my final year as IOSCO Secretary General, there is a growing optimism that we are at last making progress on our capacity building efforts. During my tenure, I have always regarded these efforts, with the strong encouragement from GEM Committee Chair Ranjit Ajit Singh, as one of the essential pillars of IOSCO. Nominated Board members generously agreed to pay an additional one-off fee in 2015 to help us develop an on-line training tool-kit now underway. This IT tool will be available to all IOSCO members and should provide the foundations and the basics for any securities regulator in any part of the world. This will also help us and our members to offer further education and training programs at zero marginal cost. IOSCO should aspire for this to be a learning tool of world class quality, inter alia drawing on best practice and case studies from our members. Second, the IOSCO Board has agreed to develop pilot Regional hubs and we should aim to get the first projects underway at the beginning of 2016. Third, we are launching the IOSCO Secondment Program - a welcome and necessary clearing house mechanism to match the supply and demand of our members who wish work experience in other IOSCO member bodies. Fourth, we are deepening our own popular education and training programs and, fifth, developing an IOSCO Certificate Program. Over time this latter program can build on the IT tool kit and link to our practical training sessions. We have been encouraged by the interest of some leading universities around the world to participate in and host part of this initiative.

All of us at IOSCO should work increasingly together with the longer term vision of a world of growing interconnected capital markets - including some large, new emerging ones - linked together on the basis of common standards. We need to plan for and encourage this. And we need to strengthen our decision making so as to maximize the spread of economic prosperity and security.

Many IOSCO members aspire to greater capital market integration in their countries and regions - a development I believe IOSCO should encourage by every means possible. Successful national and regional integration projects will widen choice and competition, deepen pools of capital and match the needs of many more savers and investors. Done well and efficiently, this integration can only be a good thing. All that is needed to start is a blank piece of paper and a pencil and to respond to the following questions: Question one: - what are our collective interests? Question two - how ambitious should we be?

IOSCO is not at a *turning point* but rather at a *growing point*. Our 2020 exercise will set the medium term strategic and financing framework for the organization. I would like to thank all those who have worked hard on this important exercise which we hope to conclude at IOSCO's Annual Conference in London in June 2015.



I am extremely fortunate to have a dedicated and very hard working staff of 30 professionals from, I am happy to say, 21 different nationalities. I thank them all. And I cannot speak highly enough of my outstanding deputy, Tajinder Singh.

As Greg has written, in order to function IOSCO relies on the contributions of many overworked members and I fully support the gratitude he has expressed to all of them in his contribution.

Our current Management Team is composed of three very dedicated and talented people - Greg Medcraft (Chair), Howard Wetston of Ontario OSC and Ranjit Ajit Singh of Malaysia SC (Vice Chairs). We owe a debt of gratitude to our outstanding Regional Committee Chairs- Ashley Alder of Hong Kong SFC, Jean Paul Servais of Belgium FSMA, Mounir Gwarzo of Nigeria SEC and Jaime Gonzalez of Mexico CNBV. The AMCC has made excellent progress under the leadership of Jose Carlos Doherty, the Chief Executive Officer of the Brazilian Association of Financial and Capital Markets Institutions. Let me close by saying I am deeply grateful for all their support and salute their impressive contributions to the work of IOSCO.

# Activities of IOSCO's Policy Committees in the Year

The IOSCO Board was constituted at the 2012 Annual Meeting in Beijing. It subsumed the activities of the IOSCO Technical Committee, the Executive Committee and the Emerging Markets Committee Advisory Board. By commissioning a single integrated body to take on the governance, standard-setting and development functions of the organization, IOSCO sought to become more effective at achieving its objectives of protecting investors, maintaining fair, efficient and transparent markets, and of identifying and mitigating systemic risks.

The streamlined governance structure has made the organization more efficient and inclusive, enabling it to convey better its messages to stakeholders and the wider public.

The IOSCO Board reviews the regulatory issues facing international securities markets and coordinates practical responses to those concerns. The work is carried out by eight IOSCO policy committees, each one working in one of the following policy areas, 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;
- > Commodity Derivatives Markets; and
- > Retail Investors

The Board also oversees the activities of the Growth and Emerging Markets Committee (GEM) Committee. The GEM Committee seeks to develop and improve the efficiency of emerging securities markets through the introduction of minimum standards, the provision of training programs for members' regulatory staff and facilitating the exchange of information, technology and expertise. In May 2012, IOSCO merged the policy and standard-setting work of the GEM and the former Technical Committee, to create the policy committees. These committees share all three of IOSCO's goals.

The move enhanced the effectiveness of the committees and gave emerging market members a bigger say

in IOSCO's policy work, underscoring the growing importance of the emerging market membership within the organization.

In addition to the policy committees, several task forces were entrusted in 2014 with examining relevant developments in the financial markets. They included the following:

- > The Board-level Task Force on Financial Benchmarks
- > Task Force on OTC Derivatives Regulation (OTCDTF)
- > Task Force on Cross-Border Regulation
- > Working Group on Risk Mitigation Standards
- > Task Force on Long-Term Financing
- > Audit Quality Task Force

## Policy Committees

### Committee on Issuer Accounting, Audit and Disclosure - C1

Committee Chair:

**Julie A. Erhardt (US SEC)**

Committee Vice Chair:

**Patrick Parent (France AMF)**

The Committee on Issuer Accounting, Audit and Disclosure (C1) is devoted to improving the development of accounting and auditing standards, and enhancing the quality and transparency of the financial information that investors receive from listed companies and financial institutions. IOSCO considers the accuracy, integrity and comparability of financial statements, and the transparency they provide, to





be essential for protecting investors and thereby maintaining investor confidence in the public capital markets. Investor confidence also contributes to the long-term stability of the international financial system. C1 monitors and supports the work of the international accounting standard-setting bodies. This involves monitoring the projects undertaken by the International Accounting Standards Board (IASB) of the International Financial Reporting Standards Foundation (IFRS Foundation), 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 the International Accounting Standards Board operates. Its mission, through its IASB standard-setting body, is to develop a single set of high quality global accounting standards. 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. Its aim is to provide the IASB with input that reflects the perspective of securities regulators. IOSCO also is a member of the Monitoring Board (MB) that oversees the IFRS Foundation. C1 provided input in 2014 on numerous IASB proposals. These comment letters are available on the IOSCO website.

IOSCO believes that there is an important role to be played by a set of international auditing standards in contributing to global financial reporting and supporting investor confidence and decision making. To that end, C1 monitors the activities of two of the International Federation of Accountant's standard setting bodies: the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) and participates in their respective Consultative Advisory Groups (CAGs). C1 provided input in 2014 on several IAASB and IESBA proposals. These comment letters are also available on the IOSCO website.

In response to a string of corporate financial reporting scandals at the turn of the century, IOSCO became a founding member of the Monitoring Group (MG) of international organizations that is committed to advancing the public interest in areas related to international audit standard setting and audit quality. C1 also represents IOSCO as an official observer at the International Forum of International Audit Regulators (IFIAR) Plenary meetings. In this capacity, C1 provides updates to, and liaises with, IFIAR on relevant IOSCO work streams.

### **Other Activities in 2014**

In September, IOSCO issued a proposed *Statement on Non-GAAP Financial Measures*, which sets out IOSCO's expectations for issuers with respect to their presentation of financial measures other than those prescribed by Generally Accepted Accounting Principles (GAAP).

Non-GAAP financial measures can be useful to issuers and investors because they can provide additional insight into an issuer's financial performance, financial condition and/or cash flow. The use of non-GAAP financial measures also can provide issuers with flexibility in communicating useful, entity-specific information.

Problems can arise, however, when non-GAAP financial measures are presented inconsistently, defined inadequately, or obscure financial results determined in accordance with GAAP. Furthermore, non-GAAP financial measures typically lack a standardized meaning and thus are generally not comparable from one issuer to the next.

This statement is intended to assist issuers in providing clear and useful disclosure for investors and other users of non-GAAP financial measures, and to help reduce the risk that such measures are presented in a way that could be misleading.

The final statement is expected to be published in 2015.

C1 worked in 2014 on developing an IOSCO statement and accompanying guide for use by audit firms when preparing their transparency reports. This work, to be published in 2015, focuses on how audit firms can be transparent to investors and other stakeholders about their firm's governance and audit quality indicators.

In 2014 C1 also conducting fact-finding work to better understand the perspectives of various capital market participants—including investors, issuers, and audit firms—on integrated reporting.

## **Committee 2 on Regulation of Secondary Markets - C2**

Committee Chair:

**Susanne Bergsträsser (Germany BaFin)**

Committee Vice Chair:

**Kenosi Selane (South Africa FSB)**

The Committee on Regulation of Secondary Markets (C2) looks at recent developments in the structure of global capital markets and financial market infrastructure, and analyzes how they contributed to, and are affected by, the financial crisis.

In 2014, C2 worked on a consultation paper in conjunction with the Committee on the Regulation of Market Intermediaries (C3) on *Mechanisms for Trading Venues to Effectively Manage Electronic Trading Risks and Plan for Business Continuity*, which it published in the first half of 2015 for public comment.

To inform its work, C2 sent out surveys in March 2014 to trading venues, regulators and, with the assistance of C3, to market intermediaries in March 2014. The survey enabled C2 to gather information on:

- > how trading venues in various jurisdictions seek to ensure proper functioning and secure access;
- > how trading venues develop and implement business continuity plans;
- > how the regulatory tools used to manage the risks associated with electronic trading work to ensure the robustness of systems and the effectiveness of business continuity plans; and
- > recent events and any lessons learned.

The project forms part of IOSCO's ongoing work on the impact of technology on markets. Although technological developments and electronic trading offer many benefits, recent incidents of fat finger errors and trading glitches and delays illustrate the risks associated with the markets' increasing reliance on technology. If problems arise, technological innovation can pose risks to efficiency and integrity of markets and undermine the overall confidence in markets.

Committee 2 in 2014 also began work on a new mandate to study the liquidity of secondary corporate bond markets globally. Key issues that could be considered include:

- > Whether bond market liquidity has decreased compared to historical norms in member jurisdictions and, if so, the potential negative consequences for fair and efficient markets, investor protection and financial stability.
- > The potential causes for the perceived decrease in liquidity and, whether a liquidity crisis will

or will not develop and if it does, the potential consequences.

- > The view of the industry as to whether the market will be able to solve any liquidity issue on its own, or whether there could be a role for regulatory intervention.

## Committee 3 on Regulation of Market Intermediaries – C3

Committee Chair:

**Stephen Po (Hong Kong SFC)**

Committee Vice Chair:

**Choi Kiyong (Korea FSC/FSS)**

### *Proposed Methodologies to identify systemically important non-bank financial entities*

In 2014, C3 worked with the Financial Stability Board and the Committee on Investment Management (C5) to develop an assessment methodology for identifying global, non-bank non-insurance systemically important market intermediaries in the securities sector. In January 2014, the FSB and IOSCO issued a first consultation paper on a proposed methodology. It was followed up on by a second consultation on an updated document issued in March 2015. (See the section on the Committee on Investment Management – C5 for more details).

### *Global Capital Standard*

In March 2014, C3 published for public consultation *A Comparison and Analysis of Prudential Standards in the Securities Sector*, which highlighted similarities, differences and inconsistencies among the different prudential frameworks employed by securities commissions in different jurisdictions. The report formed part of a project of the Joint Forum-- comprising IOSCO, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors-- to create a uniform global capital standard within the banking, insurance and securities industries. The aim is to eliminate gaps and inconsistencies between prudential frameworks, thereby reducing regulatory arbitrage and competitive inequalities across jurisdictions, and to facilitate the convergence of prudential standards over the long term.

The capital adequacy standards should enable securities firms to absorb losses and wind down their businesses without generating losses for their customers or the customers of other broker-dealers and without disrupting the orderly functioning of the financial markets.

After the consultation, C3 published the final report in February 2015. IOSCO's objective is to draw on the information reviewed in the prudential standards

report to update its 1989 *Report on Capital Adequacy Standards for Securities Firms*.

### *Social Media and Automation of Advice Tools*

In July 2014, IOSCO published its *Report on the IOSCO Social Media and Automation of Advice Tools Surveys*. The paper analyzed the results of four surveys on the use of social media and automated advice tools in capital markets, and how regulators oversee the use of these tools.

IOSCO undertook this project to explore how technology such as the Internet is changing the way market intermediaries interact with both potential and existing customers. Social media provides a means to multiply the number of interactions between investors and market intermediaries. From an intermediary's perspective, an automated tool presents an opportunity to formulate and deliver advice to customers in a more efficient and cost effective way. But the growing use of social media and automated tools by intermediaries also presents numerous challenges to regulators.

Results from the surveys provided a snap-shot of how regulators and intermediaries use and oversee these technologies. The results indicated that increasingly regulators are using social media sites as a source of general information in the supervision of firms, while the use of automated advice tools is growing around the world, as intermediaries use these tools to assist with their suitability and **Know Your Customer** (KYC) obligations.

### *Other mandates*

In February 2014 C3 received a mandate from the IOSCO Board to look at how IOSCO member jurisdictions are working to reduce the reliance on credit ratings of markets intermediaries. The work is in line with the FSB's *Roadmap* for reducing the perceived over-reliance on credit rating agencies, while strengthening the risk assessment capabilities of financial firms. C3 expects to publish a consultation paper in the first half of 2015.

The IOSCO Board also handed C3 a mandate in February 2014 on securities-based crowd-funding.

## Committee on Enforcement and Exchange of Information – C4

Committee Chair:

**Georgina Philippou (UK FCA)**

Committee Vice Chair:

**Jean-François Fortin (Québec AMF)**

### *Credible Deterrence*

Recent scandals at some of the world's largest financial institutions have had a profound impact on the world's





capital markets. Public confidence in capital markets and the financial system has been seriously eroded, casting doubt on the effectiveness of regulators to eradicate and punish egregious misconduct.

In light of the public demand for tougher sanctions to deter this type of market misconduct, C4 in 2014 advanced its plans to create a credible deterrence framework for securities regulation, including strategies and good practices. Deterrence is credible when would-be wrongdoers perceive that the risks of engaging in misconduct outweigh the rewards and when non-compliant attitudes and behaviors are discouraged.

Taking into account the wide divergence in international sanctions regimes, C4 worked to identify a set of factors upon which jurisdictions could build credible deterrence frameworks using real life examples from IOSCO members. The factors and the real life examples will highlight useful enforcement practices and powers adopted by various regulatory authorities around the world. This will help regulators to design, develop, review and consider their enforcement strategies. The upcoming report on credible deterrence is therefore of interest to regulators from both developed and

emerging markets. C4 expects to publish the report on credible deterrence in June 2015, at the IOSCO Annual Conference in London.

### **Enforcement Cooperation**

IOSCO believes that enforcement cooperation among regulators is essential to attain effective global regulation and robust securities markets around the globe. To that end, C4 continued to work with the Screening Group to encourage global enforcement cooperation 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.

Securities regulators around the world use the MMoU to combat the cross-border fraud and misconduct that can weaken global markets and undermine investor confidence. It sets out specific requirements for the exchange of information, ensuring that no domestic banking secrecy, blocking laws or regulations prevent the exchange of enforcement-related information among securities regulators. *(For more information on the MMoU see the Screening Group under Implementation and the MMoU).*

## Committee 5 on Investment Management - C5

Committee Chair:

**Natasha Cazenave (France AMF)**

Committee Vice Chair:

**Hao Xu (China CSRC)**

### *Proposed Methodologies to identify systemically important non-bank financial entities*

In January 2014, the Financial Stability Board and IOSCO issued for public consultation the report *Assessment Methodologies for Identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs)*.

The FSB and IOSCO collaborated to develop assessment methodologies for NBNI G-SIFIs that complement the current methodologies for identifying global systemically important banks and insurers. C5 worked on developing a methodology aimed at assessing the systemic significance of investment funds; the Committee on the Regulation of Market Intermediaries (C3) identified a set of similar indicators for market intermediaries.

The overarching objective in developing the methodologies is to identify non-bank, non-insurer financial entities whose distress or disorderly failure, due to their size, complexity, systemic interconnectedness or lack of substitutability, would cause significant disruption to the global financial system and economic activity across jurisdictions.

Consultative responses were received from more than 50 respondents, including trade associations, individual firms and individuals.

To address these comments, the FSB and IOSCO began work on a second consultative document, which was issued in March 2015.

### *Custody and Collective Investment Schemes (CIS)*

Committee 5 continued its work on Collective Investment Schemes (CIS) during 2014.

The safekeeping of client assets by intermediary custodians has come under greater scrutiny following the 2007-2008 financial crisis and several corporate collapses, such as the insolvencies of Lehman Brothers and MF Global, and the Madoff Ponzi scheme fraud. Responding to these concerns, C5 published in October 2014 a consultation report on *Principles regarding the Custody of Collective Investment Schemes' Assets*. The aim of the report was to gather the views of investment

managers, custodians, institutional investors and other interested parties on a set of proposed Principles for the Custody of Collective Investment Schemes' (CIS) Assets.

The consultation report built on C3's *Recommendations Regarding the Protection of Client Assets*, published in January 2014, as well as on the 1996 *Guidance on Custody Arrangements for Collective Investment Schemes*. It provides guidance to regulators on how to enhance their supervision of intermediaries holding client assets.

The consultation report proposed nine principles, some of which focused on general aspects relating to the custody function; the others related more specifically to the appointment and ongoing engagement of custodians.

In the year, C5 proposed a mandate on the creation of a framework for the termination of a CIS, which was approved in January 2015. C5 will consider whether to elaborate a set of principles or recommendations to be applied in the event of the liquidation of a CIS, with the objective of ensuring the fair treatment of investors.

### *Good Practices on Reducing Reliance on CRAs in asset management*

In June 2014, C5 published a consultation report on *Good Practices on Reducing Reliance on CRAs in asset management*, which seeks to gather the views and practices of investment managers, institutional investors and other interested parties. The objective is to develop a set of good practices on reducing over reliance on external credit rating in the asset management space.

The report stresses the importance for asset managers to have the appropriate expertise and processes in place to assess and manage the credit risk associated with their investment decisions. Recognizing the utility of external ratings, the report mentions that they can be used as an input among others to complement a manager's internal credit analysis and provide an independent opinion as to the quality of the portfolio constituents. However, in order to avoid the over-reliance on external ratings, the report lists some possible good practices that managers may consider when resorting to external ratings.

### *Other Mandates*

The committee in 2014 began a review of IOSCO's 2004 *Report on Elements of International Regulatory Standards on Fees and Expenses of Investment Funds*, which deals with issues such as disclosure of fees



and expenses to the investor, transaction costs and performance fees. The objective of the review is to identify standards that need to be updated or expanded to reflect both market and regulatory changes.

C5 undertook the third IOSCO hedge fund survey in fourth quarter 2014. The survey is aimed at gathering internationally consistent data for the assessment of potential systemic risks from hedge funds. The data is shared to facilitate international supervisory cooperation in the risk assessment.

## Committee on Credit Rating Agencies – C 6

Committee Chair:

**Rita Bolger (US SEC)**

Committee Vice Chair:

**Yasuto Watanabe (Japan FSA)**

### *Revision of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies*

In February 2014, Committee 6 published the consultation paper *Code of Conduct Fundamentals for Credit Rating Agencies* (CRAs), which proposed significant revisions and updates to the current IOSCO code of conduct.

The IOSCO CRA Code is intended to offer a set of robust, practical measures as a guide to CRAs for the protection of the integrity of the rating process. The code seeks to ensure that issuers and users of credit ratings, including investors, are treated fairly, and to safeguard confidential material information provided by issuers.

The IOSCO CRA Code was first published in 2004 when few jurisdictions had laws governing activities of CRAs. It was later revised in 2008 to include significant disclosure provisions that addressed concerns regarding the quality of information that CRAs relied on; suggestions that CRAs were too slow to review existing ratings and make downgrades as appropriate; and the possible conflict of interest arising from CRAs advising issuers on how to design structured finance products.

The final CRA Code was published in March 2015.

### *Other CRA Products*

The IOSCO Board in late 2014 gave C6 a mandate on *Other CRA Products*. The objective of the project is to gain a clearer understanding of those CRA products that differ from the traditional issuer-paid or subscriber paid credit ratings, but may be used by investors and others to make investment and other credit-related











decisions. C6 hopes to understand better how these other projects are produced by CRAs and used by market participants to measure credit risk of issuers or securities.

### Committee on Commodity Derivatives Markets - C 7

Committee co-Chairs:

**David Lawton (UK FCA)**

**Sarah Josephson (US CFTC)**

#### *Principles for Oil Price Reporting Agencies*

In September 2014, Committee 7 published its report on the *Implementation of the Principles for Oil Price Reporting Agencies*. This report was a follow-up to the report on the *Principles for Oil Price Reporting Agencies* (PRA), which was issued in 2012 as part of an effort to enhance the reliability of the oil price assessments that are referenced in derivative contracts and subject to regulation by IOSCO members.

The final PRA principles were a response to the G20 request in 2010 for a report on how PRAs assessed the oil spot market prices. The mandate responded to growing concerns that the way oil prices were set and published made them vulnerable to manipulation

in both physical and derivatives markets. Committee 7 prepared the principles in collaboration with the International Energy Forum (IEF), International Energy Agency (IEA) and the Organization of Petroleum Exporting Countries (OPEC).

The 2012 report called on the PRAs to implement the principles by October 2013. It also called on IOSCO to review implementation of the PRA Principles at June 2014, eighteen months after publication. The implementation report published in September 2014, in collaboration with the IEF, IEA and the OPEC, concludes that good progress was made during the first year of implementation, but that the implementation of the PRA Principles is an ongoing endeavor. It suggests that further work will be needed once the PRA Principles become more embedded in the PRA processes. To this end, Committee 7 is currently working on the second year implementation review of the PRA Principles, which is expected to be submitted to the G20 in late 2015.

IEF, IEA and OPEC, in liaison with IOSCO, prepared a report on the outcomes of the Survey of Oil Market Participants entitled *Impact of the Principles for Oil PRAs on the Physical Oil Market*. A summary of the report was submitted to the G20 Energy Sustainability



Working Group (ESWG) meeting in Antalya on 24-25 February 2015, and will subsequently be presented to the Turkish G20 Presidency ESWG later in the year. This qualitative assessment will be further informed by a quantitative analysis later in the year, which will be prepared by the international organizations.

### **Further Evaluation of IOSCO Principles for Commodity Derivatives Markets**

In September 2014, C7 published the *Update to Survey on the Principles for the Regulation and Supervision of Commodity Derivatives Markets*, which updates its 2012 review of the implementation of IOSCO's principles for commodity derivatives markets. The principles are aimed at achieving a globally consistent approach to oversight that helps enhance price transparency and prevent market manipulation in the commodity derivatives market.

The majority of respondents to IOSCO's 2014 update were broadly compliant with the principles. Where commodity derivatives markets exist, and market authorities were yet to be fully compliant, many of those market authorities had identified initiatives aimed at achieving full compliance over time. The results of the 2014 survey indicated that a number of the initiatives to fully implement the principles remain under development and/or in various stages of implementation. Consequently, the report stated that a more definitive analysis of those initiatives will be provided in the future. C7 will continue to monitor the implementation of those initiatives throughout 2015 in order to determine the appropriate time to initiate further review.

### **The Impact of Storage Infrastructures on Derivatives Market Pricing**

In August 2014, C7 circulated a questionnaire among members and other relevant entities— storage and market infrastructure providers, market participants and end users—aimed at gathering information on the role of storage infrastructure in maintaining the integrity of the price formation process of physically delivered commodities on regulated derivatives markets.

Based on the survey results, C7 expects to publish a report in 2015 identifying changes in market practice and structure that may pose new regulatory risks and challenges.

## **Committee on Retail Investors C8**

Committee Chair:

**Howard Wetston (Ontario OSC)**

Committee Vice Chair:

**Leonardo P. Gomes Pereira (Brazil CVM)**

Established in June 2013, the Committee on Retail Investors (C8) has a primary mandate to conduct IOSCO's policy work on retail investor education and financial literacy; its secondary mandate is to advise the IOSCO Board on emerging retail investor protection matters and to conduct investor protection policy work as directed by the Board. C8 seeks to bring investors' perspective and cognitive capabilities to the Board's attention to ensure they are taken into account.

### **Developing a strategic framework**

In November 2014, C8 published a final *Strategic Framework for Investor Education and Financial Literacy* designed to guide IOSCO's investor education and financial literacy efforts. The framework describes IOSCO's role in investor education and financial literacy, the role of research, particularly in the field of behavioral economics, and C8's initial focus and strategic approach to fulfilling its primary mandate. To help IOSCO members develop and enhance their own investor education and financial literacy programs, the framework describes the practices currently used by C8 members in those areas.

### **New work streams**

In May 2014, C8 members agreed to pursue two new work streams under its primary mandate on investor education and financial literacy:

- > anti-fraud messaging; and
- > investment risk education.

Small working groups were created to conduct surveys for each project and to gather research articles relating to both topics.

### **Joint Policy Committee Work: Cyber resilience and risk:**

Increasingly, cyber risks constitute a threat to the integrity, efficiency and soundness of financial markets worldwide. In response to this growing threat, the IOSCO Board agreed in February 2014 to investigate further how the organization could support its members and market participants in dealing with cyber risks, with a view to publishing a report highlighting some of the tools available to regulators for enhancing the cyber resilience of securities markets.

The Board decided that the Autorité des marchés financiers Quebec, with the assistance of China Securities Regulatory Commission and the Monetary Authority of Singapore, would coordinate the activities of the Affiliate Member Consultative Committee and the different IOSCO policy committees involved in the cyber risk work.

## Task Forces

### Board Level Task Force on Financial Benchmarks

Task Force Chair: **Martin Wheatley (UK FCA)**

The investigations in 2012 into attempted manipulation of benchmarks brought the issue of benchmark integrity into the regulatory spotlight. In September 2012, IOSCO established a Board-level Task Force to identify and consider benchmark related issues, including transparency, methodology, governance, oversight and factors to be considered in transition to an alternative benchmark; and develop principles to support the quality and resilience of benchmarks. The Task Force is chaired by Martin Wheatley of the UK Financial Conduct Authority.

The principles were published in July 2013 with the aim of creating 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 IOSCO principles were endorsed by the Financial Stability Board as the global standards in financial benchmarks.

### *The Implementation Review of the IOSCO Principles for Financial Benchmarks by Administrators of Libor, Euribor, and Tibor*

Following a request from the FSB, IOSCO published in July 2014 the *Review of the Implementation of IOSCO's Principles for Financial Benchmarks by Administrators of Libor, Euribor, and Tibor*, as part of the FSB report on *Reforming Major Interest Rate Benchmarks*. To conduct this review, IOSCO first prepared an Assessment Methodology.

The report found that reforms, both completed and on-going, have raised the overall oversight, governance, transparency and accountability of the three administrators and their respective benchmarks. Further work is still needed on the benchmarks' methodology and design. The report also recommended that the Libor, Euribor, and Tibor administrators devote more attention to the management of conflicts of interests.

### *The Implementation Review of the IOSCO Principles by WM in respect of the WM/Reuters 4pm Closing Spot Rate (Major Interest Rate Benchmark)*

In response to a request from the FSB, IOSCO conducted in 2014 a review of the implementation of



the IOSCO principles by WM in respect of the WM/Reuters 4pm Closing Spot Rate. The IOSCO Task Force on Financial Benchmarks and the IOSCO Assessment Committee developed an assessment methodology for the review based on the methodology used for the IBOR review. The report was published in September 2014 as part of the FSB's Report on FX Benchmarks, which presented recommendations to reform the major FX benchmarks.

### ***The Implementation Review of Benchmarks Other Than IBORs and FX***

In its 2013 report on the *Principles for Financial Benchmarks*, IOSCO stated its intention to review within an 18-month period the extent to which the principles have been implemented by administrators (other than IBORs and FX) by obtaining the input of stakeholders, market authorities and, as appropriate, administrators. Accordingly, the task force in 2014 reviewed the implementation of its benchmark principles by a sample of administrators of financial benchmarks across a range of geographical areas and asset classes. In February 2015, it published the *Review of the Implementation of IOSCO's Principles for Financial Benchmarks*, which set out its findings.

The review indicated that widespread efforts are being made to implement the principles by the majority of the administrators surveyed. The responses received from administrators also showed that the benchmarks industry is in a state of change as administrators continue to work towards compliance with the principles and benchmarks begin to transition to new methodologies and administrators.

### **Task Force on OTC Derivatives Regulation**

Task Force co-Chairs:

**Kevin Fine (Ontario OSC)**

**Brian Bussey (US SEC)**

**Warren Gorlick (US CFTC)**

**Tom Springbett (UK FCA)**

**Sujit Prasad (India SEBI)**

In a March 2013 report to the IOSCO Board, the Task Force on OTC Derivatives highlighted the importance of determining whether the new rules on OTC derivatives achieve their intended effect and, if so, to disseminate the best practices.

As part of that work, the task force published in November 2014 the consultation report *Post-Trade Transparency in the Credit Default Swaps Market*, which







seeks to analyze the potential impact of mandatory post-trade transparency in the credit default swaps (CDS) market.

The report's analysis was based on a review of relevant literature; a survey of CDS market participants and other market observers; and an examination of publicly available transaction-level post-trade data about CDS transactions before and after the introduction of mandatory post-trade transparency in certain CDS markets in the United States.

The report's preliminary conclusion was that the data does not suggest that the introduction of mandatory post-trade transparency had a substantial effect on market risk exposure or market activity for the CDS products in question. The task force reached an initial conclusion that greater post-trade transparency in the CDS market would be valuable to market participants and other market observers, and it encourages each of its members to take steps to enhance post-trade transparency in the CDS market in its jurisdiction.

The final report is scheduled to be published in the third quarter of 2015, after the task force reviews the comments received during the consultation period and revises the report accordingly.

## Task Force on Cross-Border Regulation

Task Force Chair:

**Ashley Alder (Hong Kong SFC)**

Task Force Vice Chair:

**Anne Héritier Lachat (Swiss FINMA)**

In November 2014, the Task Force on Cross-Border Regulation published the consultation report titled *IOSCO Task Force on Cross-Border Regulation*, which identifies and describes cross-border regulatory tools and challenges.

The consultation report described three cross-border regulatory tools that have been used, or are under consideration, by IOSCO members to help address the challenges they face in protecting investors, maintaining market quality and reducing systemic risk. These tools provide the basis for developing a cross-border regulatory toolkit and common terminology that describe potential options for IOSCO members to consult when considering cross-border regulations. They can be broadly classified into three main types: *National Treatment, Recognition, and Passporting*.

The report also includes a detailed discussion of the key challenges and experiences faced by regulators in implementing cross-border securities regulations. A key aim of this work is to help mitigate the possible

adverse effects of regulatory inconsistencies on cross border activity in securities markets.

To prepare the consultation report, the task force conducted a survey among IOSCO members from late October 2013 to April 2014. The Task Force held meetings in Hong Kong, London and Washington D.C. with industry representatives, academics, and other key stakeholders to hear their views on the issues and challenges in complying with cross-border regulations. It also received stakeholder suggestions on how regulators could enhance cross-border coordination and on a potential role for IOSCO regarding these issues.

### **Working Group on Risk Mitigation Standards for Non-centrally Cleared Derivatives**

Working Group Chair:

**Lee Boon Ngiap (Singapore MAS)**

In September 2013, the OTC Derivatives Regulators Group called upon IOSCO to develop a set of risk mitigation techniques, which would complement the margin requirements developed by the Basel Committee on Banking Supervision (BCBS) and IOSCO, to further reduce the risks in the non-centrally cleared derivatives market.

In September 2014, IOSCO released the consultation report on *Risk Mitigation Standards for Non-centrally Cleared OTC Derivatives*, which proposed nine standards aimed at strengthening the non-centrally cleared OTC derivatives market. IOSCO had developed these proposed standards in consultation with the BCBS and the Committee on Payments and Market Infrastructures. The proposed standards encourage the adoption of sound risk mitigation techniques to promote legal certainty over the terms of the non-centrally cleared OTC derivatives transactions, to foster effective management of counterparty credit risk and to facilitate timely resolution of disputes. The final report was published in January 2015, after taking into consideration the comments received from the public consultation.

### **Task Force on Long-Term Financing**

Task Force co-Chairs:

**Howard Wetston (Ontario OSC)**

**Ranjit Ajit Singh (Malaysia SC)**

In recognition of the important role capital markets play in supporting long-term financing in emerging and developed economies, the IOSCO Task Force on Long-Term Financing published a research note in September 2014 on *Market-Based Long-Term Financing Solutions for SMEs and Infrastructure*. The task force was co-chaired by Howard Wetston and Ranjit Ajit Singh, Vice Chairs of the IOSCO Board.

The research note was prepared for the G20 Finance Ministers and Central Bank Governors. It describes innovative structures and products in equity capital markets, debt capital markets, securitization and pooled investment vehicles that provide practical solutions to broadly recognized challenges for financing of SMEs and infrastructure projects.

The note also provides key takeaways from each example and identifies themes common to the innovations. The market-based financing solutions described in the note cover many jurisdictions across a wide geographical area; several case studies refer to cross-border activities and/or have regional reach.

Following the finalization of the report, the IOSCO Board dismantled the LTF Task Force at the Board meeting in Seoul in February 2015.

### **Audit Quality Task Force**

Task Force Chair:

**Gerben J. Everts (Netherlands AFM)**

In February 2014 IOSCO established the Audit Quality Working Group (AQWG) to help identify possible areas where the organization could work to promote audit quality. Improving the quality of international auditing is key to promoting consistent high quality financial reporting. Audit and securities regulators across the globe have pointed out that audit quality is not consistently delivered, and that deficiencies in audit performance are often frequent. Poor inspection findings made it apparent that incremental investments and reforms were required.

In November 2014 the IOSCO Board approved the recommendations in the AQWG report and decided to set up an Audit Quality Task Force (AQTF), with a one-year mandate to oversee and execute the recommendations in the AQWG report. These included:

- > ensuring that cooperation with other stakeholders (strategic partners) such as the International Forum of Independent Audit Regulators (IFIAR) progresses on a more permanent and institutionalized basis.
- > assessing whether and how to strengthen the role of audit committees. The first step would entail step, launching a survey on the role of Audit Committees vis-à-vis audit quality and how this role has evolved in jurisdictions over time. The survey results will then be used by IOSCO and its members to take stock and consider whether and how Audit Committees can play a part in the efforts to improve audit quality;
- > promoting more robust audit-related standard setting governance

# Inter-Agency Work

## The Joint Forum

The Joint Forum was established under the aegis of IOSCO, the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) to deal with issues common to the banking, securities and insurance sectors. Its membership is comprised of an equal number of senior bank, insurance and securities regulators and supervisors. The International Monetary Fund, the European Commission and the Financial Stability Institute have observer status.

In 2014, the Joint Forum published two reports:

- > *Report on supervisory colleges for financial conglomerate*, published in September 2014. The report is based on a recent self-assessment survey of Joint Forum members. It presents findings on how far cross-sectoral issues, and specific questions related to financial conglomerates, are effectively addressed within supervisory colleges. This stocktaking exercise also provides information on the implementation of the *Joint Forum Principles for the Supervision of Financial Conglomerates* and, in particular, Principle 6 relating to supervisory cooperation, coordination and information-sharing.
- > The report on *point of sale disclosure in the insurance, banking and securities sectors*, published in April 2014. The report identifies and assesses differences and gaps in regulatory approaches to point of sale disclosure (POS) for investment and savings products across the insurance, banking and securities sectors, and considers whether the approaches need to be further aligned across sectors. It sets out eight recommendations for use mainly by policymakers and supervisors to assist them in considering, developing or modifying their POS disclosure regulations.





## IOSCO work with the Bank for International Settlements

### The Basel Committee on Banking Supervision

#### BCBS-IOSCO Working Group on Margining Requirements

In 2011, the G20 Leaders called upon the BCBS and IOSCO to develop, as part of the global financial reform agenda, consistent global standards for margin requirements for non-centrally cleared derivatives. 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, as well as 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 to evaluate the margin requirements and to 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 WGMR to continue to monitor progress in implementation to ensure consistent implementation across products, jurisdictions and market participants. This will include monitoring domestic rule-making as well as engaging with industry on their work to develop initial margin models that will be required to comply with WGMR requirements.

#### Task Force on Securitization Markets – Cross Sectorial Task Force with the BCBS

Following the recommendations of the 2012 IOSCO Report on *Global Developments in Securitisation Regulation*, IOSCO and the BCBS established in April 2014 the cross-sectorial Task Force on Securitization Markets. Its objectives are to:

- > undertake a wide ranging review of securitization markets so as to understand how they are evolving in different parts of the world;
- > identify factors from across different sectors that may be hindering the development of sustainable securitization markets; and
- > develop criteria to identify and assist the financial industry in the development of simple and transparent securitization structures.

The task force published a report for public consultation in December 2014 on the 14 criteria for identifying simple, transparent and comparable securitization structures. The report was based largely on information from a survey of market participants and regulators, a roundtable with stakeholders, and a data gathering exercise.

### The Committee on Payments and Market Infrastructures (CPMI, formerly the Committee on Payment and Settlement Systems (CPSS))

The Committee on Payments and Market Infrastructures (CPMI) promotes the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy. The CPMI monitors and analyzes developments in these arrangements, both within and across jurisdictions. It also serves as a forum for central bank cooperation in related oversight, policy and operational matters, including the provision of central bank services.

CPMI and IOSCO work together to enhance coordination of standard and policy development and implementation, regarding clearing, settlement and reporting arrangements, including financial market infrastructures (FMIs) worldwide. FMIs, which include central counterparties (CCPs), trade repositories (TRs), central securities depositories (CSDs), securities settlement systems (SSSs), and payment systems (PSs), 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.

#### Recovery:

In October 2014, CPMI-IOSCO published *Recovery of financial market infrastructures*. The report provides guidance to FMIs on how to develop plans to enable them to recover from threats to their viability and financial strength that might prevent them from continuing to provide critical services to their participants and the

markets they serve. It also provides guidance to relevant authorities in carrying out their responsibilities associated with the development and implementation of recovery plans. The report supplements the *Principles for financial market infrastructures* (PFMI), the international standards for FMIs published by the CPSS<sup>1</sup> and IOSCO in April 2012. It does not create additional standards for FMIs but does provide guidance on how FMIs can observe the requirements laid down in the PFMI that they have effective recovery plans.

#### *Critical service providers:*

CPMI-IOSCO also published in December 2014 *Assessment methodology for the oversight expectations applicable to critical service providers*. The report establishes an assessment methodology and provides guidance for authorities in assessing an FMI's critical service providers against the oversight expectations set out in an annex on the oversight expectations applicable to critical service providers (Annex F) of the PFMI. The operational reliability of an FMI may be dependent on the continuous and adequate functioning of third-party service providers that are critical to an FMI's operations, such as information technology and messaging providers. This assessment methodology also provides guidance to critical service providers on complying with the oversight expectations.

#### *Market-wide recommendations:*

In 2014, CPMI-IOSCO agreed to do further work on the so-called *market-wide recommendations*, ie., recommendations targeted at payment, securities or derivatives markets more widely than at individual FMIs. This work would include:

- > a review of a number of the recommendations included in the *CPSS-IOSCO Recommendations for Securities Settlement Systems* (2001); and
- > a gap analysis aimed at determining whether there are other market-wide topics where some form of guidance from CPMI-IOSCO might be helpful.

This work will be done by the CPMI-IOSCO's Policy Standing Group (PSG).

#### *CCP stress testing:*

Stress testing is an essential component of risk management by CCPs. The PFMI require CCPs to carry out rigorous stress testing to determine the financial resources they need to manage both credit and liquidity risk, including a wide range of stress scenarios covering a variety of extreme but plausible market conditions.

CPMI-IOSCO mandated the PSG to conduct a stocktake of CCPs' current practices concerning stress testing and organize an industry workshop to identify how the relevant PFMI standards are being implemented and whether additional guidance in this area is needed.

#### *Data harmonization:*

In 2014, CPMI-IOSCO created the Harmonization Working Group to develop detailed guidance on harmonization of data elements that are reported to trade repositories and are important to aggregation by authorities. The guidance should also serve for the development of the uniform global Unique Product Identifier (UPI) and the Unique Transaction Identifier (UTI), which are used to uniquely identify a product or transaction, to be used for reporting to global financial regulators. The sub-streams for the Harmonization Working Group continue to work on the harmonization aspects of their work, which includes workshops and consultations with industry before final guidance is published.

#### *Cyber resilience:*

A CPMI-IOSCO working group on cyber resilience in FMIs was established in 2014 to look into ways to help both FMIs and authorities (regulators, overseers) to enhance cyber resilience.

Both CPMI and IOSCO had been separately investigating certain aspects of cyber risks and how they relate to financial market participants, services and infrastructures. As many issues are of common interest, both committees agreed to undertake joint work with a specific focus on improving the cyber resilience of FMIs. The resulting CPMI-IOSCO Working Group on Cyber Resilience (WGCR) has set up various work streams with a view to assess the existing regulatory and supervisory framework promoting cyber resilience, investigate the financial stability implications of cyber-attacks against FMIs, formulate guidance for both authorities and FMIs on cyber resilience and consider mechanisms to facilitate collaboration and information sharing across the industry, both domestically and cross-border.

---

1 The Committee on Payment and Settlement Systems (CPSS) changed its name to the Committee on Payments and Market Infrastructures (CPMI) on 1 September 2014. Please note that references to reports published before that date use the committee's old name.



### *Implementation Monitoring:*

The CPMI-IOSCO Implementation Monitoring Standing Group (formerly the Implementation Monitoring Task Force) continued in 2014 the process of monitoring implementation of the PFMI. In line 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 important part of the G20's mandate that all standardized OTC derivatives should be centrally cleared, and all OTC derivative contracts reported to TRs.

Reviews are being carried out in three stages. Level 1 self-assessments report on whether a jurisdiction has completed the process of adopting the legislation and other policies that will enable it to implement the Principles and Responsibilities. Level 2 assessments are peer reviews of the extent to which the content of the jurisdiction's implementation measures is complete and consistent with the PFMI. Level 3 peer reviews will examine consistency in the outcomes of implementation of the Principles by FMIs and implementation of the Responsibilities by authorities.

Level 1 assessments are based on self-assessments by individual jurisdictions on how they have adopted the 24 Principles for FMIs and four of the five Responsibilities for authorities within the regulatory and oversight framework that applies to FMIs. The initial Level 1 assessments (covering 27 jurisdictions) were conducted in mid-2013 and the results of the assessments were published in August 2013. The first update (covering 28 jurisdictions<sup>2</sup>) was conducted in 2014 and the report *Implementation monitoring of PFMI: First update to Level 1 assessment report* was published in May 2014. The first update report shows that significant progress had been made by the 28 participating jurisdictions since the initial Level 1 report. The first update report also reveals that progress in implementing the PFMI continues to vary according to the type of FMI. Additional updates to the Level 1 report are planned on a periodic basis and the second update started in December 2014.

In parallel with the Level 1 assessments, CPMI and IOSCO moved to the Level 2 assessments in 2014. In the initial round of the Level 2 assessments, CPMI and IOSCO conducted a detailed evaluation and a peer-re-

view assessment regarding whether the adopted measures are complete and consistent with the principles for CCPs and TRs in the European Union, Japan and the United States. Other jurisdictions and other categories of FMI will be covered in subsequent rounds. Results from the first round of Level 2 assessments were published in February 2015.

Furthermore, the work of a consolidated Level 2/Level 3 assessment of the Responsibilities also started in November 2014.

### **CPMI-IOSCO Working Group on Cyber Resilience:**

A joint CPMI-IOSCO working group on cyber resilience in financial market infrastructures was established in September 2014 to look into ways to help both authorities (regulators, overseers) and FMIs to enhance cyber resilience.

Both CPMI and IOSCO had been active separately in investigating certain aspects of cyber risks and how they relate to financial market participants, services and infrastructures. As many issues are of interest to both committees, they agreed to undertake joint work with a specific focus on improving the cyber resilience of FMIs. The working group has set up various work streams with a focus to investigate the implications of cyber-attacks against FMIs and the evolving cyber-threat landscape; develop guidance to enhance the cyber resilience of FMIs globally; and consider mechanisms to facilitate collaboration and information sharing.



<sup>2</sup> Indonesia was added to the initial 27 jurisdictions.



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

### Arunma Oteh

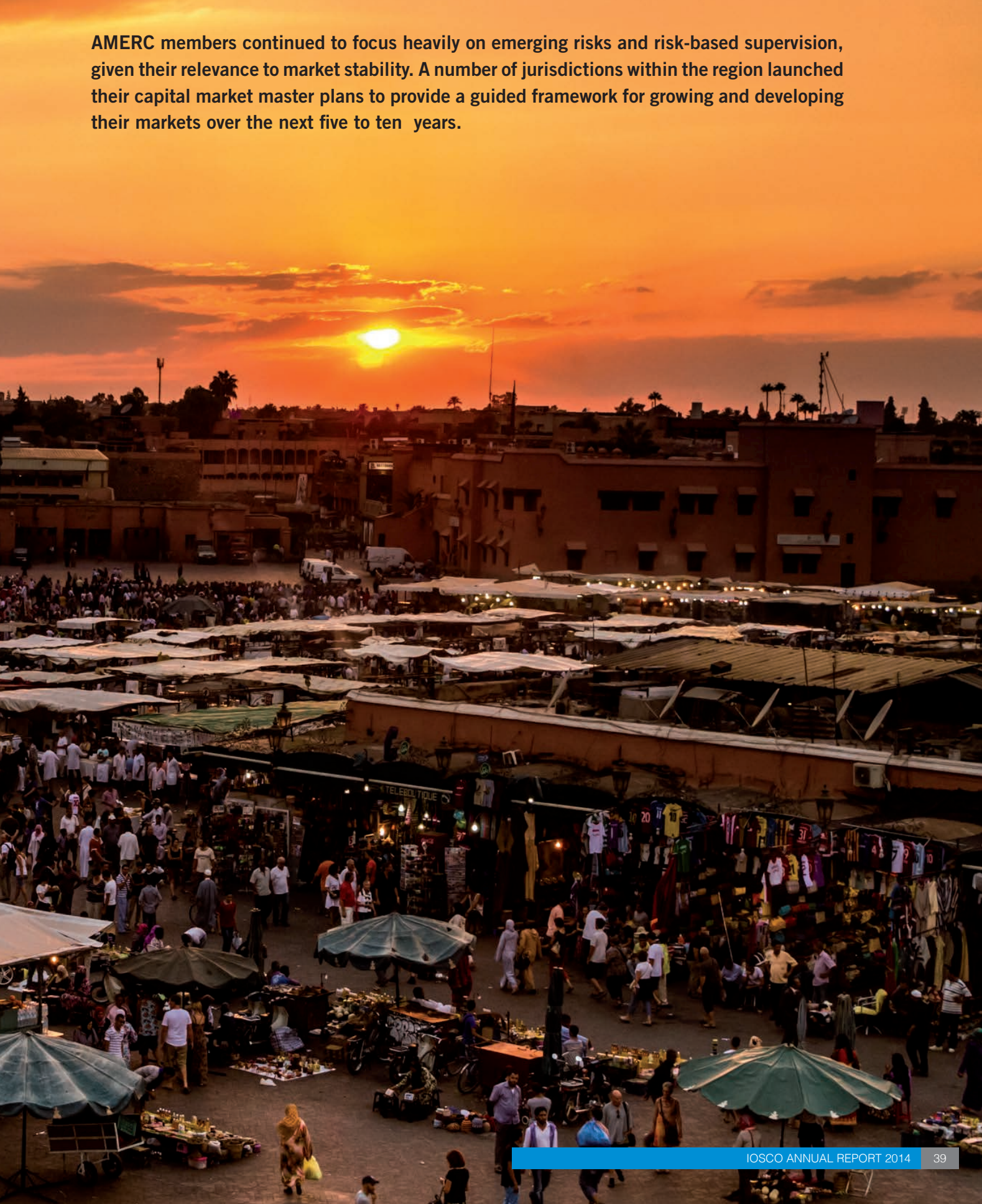
- > Chair of the Africa/Middle-East Regional Committee
- > Director General,  
Securities and Exchange Commission, Nigeria





Africa and Middle East economies are among the fastest growing in the world. The region contributed significantly to global growth particularly through public investments in infrastructure, increased agricultural production and a vibrant services sector.

AMERC members continued to focus heavily on emerging risks and risk-based supervision, given their relevance to market stability. A number of jurisdictions within the region launched their capital market master plans to provide a guided framework for growing and developing their markets over the next five to ten years.







## AMERC Activities and Achievements in 2014

Our two meetings provided the platform for members to share their experiences and raise and debate issues that are pertinent to our region.

The 32<sup>nd</sup> AMERC Annual Conference was held in Livingstone, Zambia, from 10 to 11 February 2014. The meeting, which had the theme *Balancing Development and Emerging Regulatory Challenges*, examined new ways of confronting the emerging challenges of market regulation and development. The meeting also featured panel discussions on *Innovations in Bonds Market* and *Meeting the Challenges of Globalized Markets: Developments and Policy Issues*.

The event provided our members the opportunity to reassess how best to develop the local bonds market by leveraging on the window of the International Finance Corporation (World Bank Group) for local currency denominated bonds.

The 33<sup>rd</sup> AMERC Meeting was held on the sidelines of the 39<sup>th</sup> IOSCO Annual Conference in Rio de Janeiro, Brazil with the theme *Market Based Financing for*

*Global Economic Growth: A Forward Looking Approach*. The Comissão do Mercado de Capitais (CMC) of Angola and the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) of Botswana both attended as observers. The CMC later became an associate member of IOSCO in November 2014.

Two other key presentations were made. The first focused on the *Implementation of Foreign Accounts Task Compliance Act (FATCA)*. The presentation suggested the possibility of establishing a task force to conduct a necessary assessment of FATCA and OECD tax requirements for financial markets.

The second presentation on *Deepening Emerging Markets through Non-Interest Products*, examined the role and significance of Islamic financing as an alternative for providing long-term funds to emerging markets.

We continued our quest for best regulatory practices and capacity building. This led the region to collaborate and promote various joint training programs. Let me therefore commend the Central Bank of Bahrain; the Union of Arab Securities Authority (UASA) and the Capital Markets Authority (CMA), Kenya for organizing and hosting the following programs:



- > Central Bank of Bahrain hosted the *Capital Market Supervisors Program* from the 21 to the 25 of September 2014.
- > UASA organized the *First Arab Capital Markets* in Dubai on the 25 and 25 of November 2014.
- > CMA Kenya organized the *Regional Leadership Program for Securities Regulators* held November 30 November - 1 December 2014.

## Specific Regional Issues

The AMERC region's quest for increased representation and a stronger voice continued to yield fruit as the region gained more seats on the IOSCO Board. At the 39<sup>th</sup> IOSCO Annual Conference in Rio de Janeiro, the Director General of the SEC Nigeria was re-elected as Chair of the region; Capital Market Authority, Saudi Arabia and the Egyptian Financial Services Authority emerged as first and second representatives from the region on the IOSCO Board. CMA Kenya was also elected to the Board through the GEMC.

We believe strongly that as our region's visibility increases, so will its attractiveness for investment grow. We are therefore focused on doing our best to ensure that our markets remain stable and operate according to global best practices.

The region continued to improve its participation in IOSCO surveys, particularly in the GEMC 2014 survey on capacity building.

AMERC members also provided input to the IOSCO 2020 Questionnaire and responded to the online survey on the IOSCO Global Certificate Program.

The AMERC Quarterly Review continued to be an effective medium for sharing information and informing members of developments in IOSCO and the region.

Building on our successes in 2013, we worked on dealing with the challenges of liquidity, new listings, and SME financing. The implementation of the Additional Graduated Measures for members who have yet to qualify as signatories to the IOSCO MMoU had a significant impact on the region. A few of our members still face various challenges in finalizing legislation that will enable them to become signatories. AMERC will offer the needed support and will work with IOSCO in the coming year to provide the necessary technical assistance to potential signatories.

AMERC's presence was felt in policy committees where the region's members actively participated. These committees include Committee 2 on Regulation

of Secondary Markets, Committee 3 on Regulation of Market Intermediaries, Committee 5 on Investment Management, Committee 7 on Commodity Derivatives Markets and Committee 8 on Retail Investors, among others.

Our members continued to make meaningful contributions to the work of the GEM Committee through the various work streams of the GEM Steering Committee.

## Future Plans and Challenges

In 2015, AMERC will remain committed to supporting and providing input to various IOSCO work streams, most importantly the IOSCO 2020 Strategic Direction. We will step up efforts to share experiences and best practices, analyze and discuss emerging risks and push forward the ongoing efforts to build a robust database for the region, with the assistance of the IOSCO General Secretariat.

We will support members that are seeking to overcome the hurdles to qualify for the IOSCO MMoU and will continue to engage in capacity building on a wide spectrum of topics, both at regional and individual member levels.





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

### Ashley Alder

- > Chair of the Asia-Pacific Regional Committee
- > Chief Executive Officer of the Securities and Futures Commission (SFC), Hong Kong

The Asia-Pacific Regional Committee (APRC) is an important platform to strengthen and develop collaboration and cooperation among regulators in the Asia-Pacific region. In 2014, the APRC continued to work collectively as a strong Asian voice on core issues that concern the sustainable development of Asia-Pacific capital markets, while recognizing the diversity of Asian economies and promoting greater regional convergence of standards.





A good example of this cooperation would be the growing need for policy coordination among APRC members given the impact of global financial reforms, mainly from the US and the EU, on Asia-Pacific markets. The APRC has been active in this area by communicating directly with the EU and US regulators. Between March and April 2014, the APRC sent letters to the US Commodity Futures Trading Commission (CFTC) regarding SEF (Swap Execution Facilities) on Asia-Pacific OTC derivatives markets and the European Commission on recognition of CCPs under the European Market Infrastructure Regulation (EMIR).

At the APRC meeting in January 2014 in Hong Kong, members agreed to develop and pursue several regional initiatives, one of which was to provide capacity building opportunities that would cater to the needs of APRC members and help increase regulatory standards across the region. One of the early capacity building actions involved Webinars, the first of which was held on 10 November 2014 on the topic of risk-based supervision of intermediaries. Over 250 officials from 28 jurisdictions participated in the Webinar. Webinars are a form of capacity building that involves real-time interactive training and experience sharing at relatively low cost. They are also able to reach a wide audience. Given the good response, a series of future APRC webinars will be arranged.

To further facilitate capacity building opportunities for members, Hong Kong SFC co-hosted a Seminar Training Program with IOSCO in December 2014, which covered practical approaches in regulating markets and intermediaries. It was well attended by regulators from 14 overseas jurisdictions.

The FSB Regional Consultative Group for Asia (RCGA) Shadow Banking Report, which was a collaboration between the APRC and the RCGA, was finalized and approved by the APRC. The report was published on 1 September 2014.

Following discussions at the APRC meetings in 2014, members agreed to develop an APRC Roadmap, which will provide the APRC with a strategic framework and specific areas of focus for making meaningful contributions to the region's development. Eleven member jurisdictions have joined the working group to take this initiative forward.

I was re-elected as Chairman of the APRC in September 2014 for a two year term.

Two APRC meetings were held in 2014: in Hong Kong on 23 January and in Rio de Janeiro on 28 September.







## Report of the Chair of the European Regional Committee (ERC)

### Jean-Paul Servais

- > Chair of the European Regional Committee (ERC),
- > Chairman of Belgium's Financial Services and Markets Authority (FSMA)





The European Regional Committee (ERC) is the largest Regional Committee of IOSCO, comprising 49 ordinary members and two associate members, the European Securities and Markets Authority (ESMA) and the European Commission. Under the leadership of the Comissão do Mercado de Valores Mobiliários (CMVM) of Portugal and, from September 2014, the Financial Services and Markets Authority (FSMA) of Belgium, the European Regional Committee made substantial progress in strengthening Europe's voice within IOSCO. The ERC Chair, together with two other elected ERC members, represents the ERC on the IOSCO Board. This contributes to ensuring that IOSCO's initiatives are informed by the views of ERC members who, in turn, are made aware of IOSCO's ongoing work.



## ERC's activities in 2014

In 2014, the ERC held meetings in Paris, Jerusalem, Rio de Janeiro (on the occasion of the Annual Conference) and Brussels. During the meeting in Rio de Janeiro, the ERC elected the Hellenic Republic Capital Market Commission and the Swedish Finansinspektionen as the two members that, in addition to the Chair, sit on the Board in representation of the ERC.

During the ERC meetings the members were regularly provided with information on key issues pertaining to the projects and activities of IOSCO's policy committees and task forces. Members also had the opportunity to discuss issues relevant to the ERC and to the wider organization, while providing appropriate views and ideas to be conveyed to the Board.

The ERC discussed, notably, IOSCO's work streams relating to securitization, long-term financing, cyber-crime, cross-border regulation, crowd-funding and forex markets. The IOSCO General Secretariat also provided regular updates on the G20 and FSB work streams.

In all ERC meetings in 2014, speakers from within IOSCO and beyond gave presentations covering discussions around the following themes: the financial regulatory landscape, the emerging risks in European growth and emerging markets, the corporate bond markets and SME access to the market and capital market instruments. A presentation was also given on the challenges of cross-border regulation and the tools that have been used, or are under consideration, by IOSCO members to help address the challenges they face in protecting investors, maintaining market quality and reducing systemic risk.

The ERC also discussed organizational and strategic issues such as the *2015-2020 Strategic Review* and IOSCO's role in capacity building. It expressed its views on the envisaged regional capacity building initiatives and underlined the importance of developing e-learning tools for IOSCO members.





Regarding the implementation of the IOSCO Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information (MMoU), regular updates were provided to the ERC by the IOSCO General Secretariat on the status of implementation by the IOSCO membership, with a focus on ERC members.

Nearly all ERC members have signed the MMoU. Regular updates and initiatives continued to be carried out by the ERC regarding the remaining non-signatories. At the end of the year, 44 out of the 49 eligible ERC members were full MMoU signatories and three members were listed on Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions, but are committed to becoming signatories. Another member was invited to be listed on Appendix B, although it had not yet formally confirmed its commitment to seek the legal authority needed to become a full signatory. Finally, the MMoU application from another ERC member was undergoing review by the IOSCO MMoU Screening Group. In early 2015, the Central Bank of the Russian Federation signed the MMoU, bringing the total number of ERC signatories to 45 members.

Also within the scope of MMoU implementation, the ERC was given updates on the graduated measures applied to ordinary IOSCO members who had failed to achieve signatory status within the established deadline.

Members continued to regularly discuss topics of particular relevance to the European region, notably through the exchange of information on relevant regulatory developments in ERC jurisdictions. Particular attention was given to investor protection in the case of complex financial products, small medium enterprises, shadow banking, implementation of European Market Infrastructure Regulation (EMIR) and changes in the structure of domestic supervision.

As per current practice within regional committees, emerging risks and trends in members' financial

markets were regular topics of discussion, bringing into focus the specific issues faced by ERC jurisdictions. The objective is to identify emerging risks in European financial markets and discuss possible policy consequences, including potential areas of work for IOSCO. The ERC also discussed the IOSCO Securities Markets Risk Outlook, developed jointly by the IOSCO Committee on Emerging Risks (CER) and the IOSCO Research Department to provide an overview of some of the major trends and risks in securities markets.

The ERC benefitted from the input of the European Commission and ESMA. Committee members were informed regularly about the activities of ESMA, including the latest regulatory developments in the EU. Those activities focused, among other issues, on the registration and supervision of credit rating agencies (CRAs); EMIR implementation; central securities depository regulation; reports on trends, risk and vulnerabilities; preparatory work on MiFID II / MiFIR, and ESMA work streams for AIFMD<sup>3</sup> implementation, including the MoUs with non-EU authorities. The European Commission also presented the program for the coming years of the Commissioner for Financial Stability, Financial Services and Capital Markets Union.

Going forward, the ERC's objective is to strengthen its contribution to IOSCO by building on the breadth of its membership. The committee will continue to speak out on behalf of all members, to ensure that their voice is reflected in the Board discussions and to contribute to the inclusiveness of the organization. Finally, the committee is grateful to the Secretary General for his presence at the ERC meetings and for providing the members in a timely manner with the relevant documents under discussion within IOSCO, allowing the committee and its members to provide the appropriate input.

3 Markets in Financial Instruments Directive, (MiFID), Markets in Financial Instruments Regulation (MiFIR), Alternative Investment Fund Managers Directive (AIFMD).









## Report from the Chair of the Inter-American Regional Committee (IARC)

### Jaime González Aguadé

- > Chair of the Inter-American Regional Committee
- > President of the National Banking and Securities Commission (CNBV) of Mexico

The Inter-American Regional Committee (IARC) met twice in 2014 and discussed relevant issues for the region's securities regulators and supervisors. In our first meeting, held in Mexico City in May, my peers elected the region's three representatives to the IOSCO Board for the period 2014-2016 (the Trinidad and Tobago Securities and Exchange Commission, the Superintendencia del Mercado de Valores, Peru, and the Comisión Nacional Bancaria y de Valores, Mexico). We also discussed substantive issues, such as the need to improve coordination between IARC and the Council of Securities Regulators of the Americas (COSRA), and how to enhance current corporate governance practices in the region. Two working groups were established and will provide useful guidance to the entire committee in the future.

### IARC meetings and activities

In September 2014, the committee met in Rio de Janeiro. Members were updated on IOSCO's key initiatives and members presented their key regulatory developments and market trends.

In 2014, several conference calls were held in preparation for each IOSCO Board meeting. During the calls, members were informed on relevant issues tabled for the Board's agenda, such as the initiatives on IOSCO 2020, capacity building and the prioritization of IOSCO's work. These calls also allowed IARC's representatives to receive feedback and, thus, transmit regional perspectives to the Board.

There was also a constant flow of electronic communication with IARC members. In particular, when consulted regarding IOSCO priorities for 2015, members expressed their interest on issues regarding the Multilateral Memorandum of Understanding on Cooperation and the Exchange of Information (MMoU). The position of IARC members on these issues was conveyed to the Board and we are confident that further discussions will be very useful and productive.

Capacity building issues and technical assistance matters are crucial concerns to the regional membership. In this regard, the CNBV Mexico hosted, in the third quarter of 2014, the IARC Seminar Training Program "*Going Forward: Future Challenges in Securities Regulation and Practical Solutions for Meeting Those Challenges*", which was attended by 64 officers from different jurisdictions.

This program examined issues and challenges that securities regulators currently face, such as insider trading investigations and litigation, market manipulation, investor education, investor protection, helping investors avoid fraud, conducting regulatory investigations, inspections and transparency and disclosure in financial markets.

### New MMoU signatories

The CNV of Argentina became a full signatory of the IOSCO MMoU in June 2014 and other IARC jurisdictions are making good progress with their applications. More IARC members are expected to become signatories to the MMoU in 2015.



## Challenges and issues going forward

Numerous discussions have been held in international fora encouraging countries to integrate their financial markets. Some IARC jurisdictions continue to move in this direction. The Latin-American Integrated Market (MILA), originally founded by the Chilean, Colombian and Peruvian stock markets, welcomed the Mexican equity market as its fourth member in 2014. The cooperation and supervisory agreements were signed and the first transaction under this new framework took place on 2 December 2014. We foresee the likelihood of other IARC equity markets joining the MILA in the near future.

Going forward, our domestic financial markets face additional challenges. One of the most relevant is to continue to grow and expand our markets; as in other regions, our markets should contribute further to the

financial needs of our businesses, particularly small and medium-sized enterprises.

Other areas of interest include increasing cross-border cooperation, improving market conduct rules, raising financial literacy throughout the region, and addressing the increased complexity in financial products. Also important are the issues surrounding the emerging alternative investments mechanisms and unregulated products and markets. Cyber-crime and social media investment fraud have been identified as important sources of risk for financial markets. All these challenges will be further analyzed and discussed at the forthcoming IARC meetings.

To conclude, this year has been an interesting year for the region. We reiterate IARC members' readiness to work together and continue to participate in IOSCO's projects and initiatives.





## Report from the Chair of the Assessment Committee

### Steven Bardy

- > Chair of the Assessment Committee
- > Senior Executive International Strategy, Australian Securities and Investments Commission

**This has been a year of significant achievement for the Assessment Committee. Our projects and reports have underscored our emerging importance in the life of IOSCO.**

Before outlining the achievements, I would like to summarize the Assessment Committee's responsibilities and outline our value add.

### Our Responsibilities

We have three primary responsibilities.

The first is the design and conduct of Thematic Reviews, which are reviews of implementation across our membership of particular elements of *IOSCO Principles of Securities Regulation* (IOSCO Principles) and other IOSCO guidance.

The second is the design and conduct of Country Reviews, which are reviews of self assessments prepared by particular IOSCO members about their implementation of IOSCO's Principles.

The third is maintaining and periodically updating the IOSCO Principles and supporting Methodology (Methodology) through the Implementation Task Force (ITF) Sub-Committee.

### Our Value Add

Our value add to IOSCO and our members lies in the following.

The first is in identifying, through our Reviews, opportunities for members to align their regulatory frameworks with IOSCO's Principles and guidance. Our findings lay the foundation both for regulatory reform and for capacity building initiatives.

The second is in encouraging the development of regulatory frameworks consistent with IOSCO's Principles and guidance across our membership. This consistency can contribute to members recognizing regulatory approaches in other jurisdictions as equivalent and, in turn, can contribute to reducing barriers and hurdles to cross border activity.

The third is ensuring that IOSCO's Principles (and Methodology) are up to date, accessible and usable.

This value add highlights the important links between our work on the Assessment Committee and IOSCO's standard setting and capacity building work. It is also evident through each of our projects and activities this year.

### Our Achievements

In the 12 months to July 2015, we will have published eight reports on five Thematic Review projects and one Country Review report.

#### *Thematic Reviews*

As I indicated last year, we published well-received reports in July and September 2014 on the implementation of IOSCO's 2013 *Principles for Financial Benchmarks* by the administrators of three key interest rate benchmarks (EURIBOR, LIBOR and TIBOR) (IBOR Review) and the administrator of the London 4pm closing spot rate for foreign exchange rates (FX Review). These reports identified gaps in implementation by administrators and made recommendations about how the gaps might be



addressed. The reports were an important element of the FSB's work on reforming benchmarks globally.

In November, interim reports to the FSB and the G20 were published on our Reviews of the implementation of money market fund reforms (MMF Review) and IOSCO's 2012 recommendations on incentive alignment in securitization (Securitization Review). Work has continued on these Reviews with reports expected to be finalized in mid-2015.

We are also publishing reports on our Review of Implementation of Derivatives Market Intermediary Regulation (DMI Review) in member jurisdictions and our review of implementation of requirements about the timeliness and frequency of disclosure to investors

under IOSCO Principles 16 and 26<sup>4</sup> (Disclosure Review). These reports will provide useful information, in the case of the DMI Review, on the status of reforms in a key post-crisis reform area. In the case of the Disclosure Review, they provide opportunities for members to reflect on the need for reform and opportunities for IOSCO to reflect on whether further guidance is needed in these areas based on the range of practices the Review identifies.

4 Principle 16: There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors' decisions.

Principle 26: Regulation should require disclosure, as set forth under the principles for issuers, which is necessary to evaluate the suitability of a collective investment scheme for a particular investor and the value of the investor's interest in the scheme.









### *Country Reviews*

Of particular note, is the publication of the outcomes of our Country Review of Pakistan – our first Country Review. This review has highlighted both the benefits and the power of Country Reviews. Our Pakistani colleagues have benefited from the wisdom and experience of six experts drawn from across our membership. For Pakistan, the review has acted as a catalyst for the regulatory and legislative change needed to address gaps identified in the review. For the Assessment Committee, this report has laid the foundation for us to monitor and report on the progress Pakistan makes in addressing the recommendations from the report.

We have also created a global database about the outcomes of members' FSAP<sup>5</sup> and other assessments and reviews on the implementation of the IOSCO Principles. This initiative – shepherded by Assessment Committee Vice Chair Amarjeet Singh of the Securities and Exchange Board of India (SEBI) – will assist all our members in better understanding the assessment process and the particular issues they may need to address through FSAP assessments and our country reviews.

### *Maintaining and Updating the Principles and Methodology*

We have also given further thought to how the Principles and Methodology should be updated. In September, we conducted a roundtable with experienced assessors about how the Methodology might be improved. We have also instituted a process that asks IOSCO committees and task forces to complete a questionnaire when finalizing reports about policy guidance to help identify whether the guidance might require changes to the Principles and Methodology.

The Assessment Committee has also taken important initiatives to improve the accessibility of the IOSCO Principles and the supporting Methodology. Under the guiding hand of Jean Paul Bureaud of the Ontario Securities Commission (OSC), supported by the IOSCO Secretariat, the Methodology has been translated into Spanish and Portuguese with the translation into French almost complete. The E-Methodology – which facilitates easy access to the Methodology for our members – has also been updated and is now available online.

---

5 The Financial Sector Assessment Program (FSAP) is an in-depth analysis of a country's financial sector. FSAP assessments are the joint responsibility of the IMF and World Bank in developing and emerging market countries, and of the IMF in advanced economies.





## The coming year

This will – again – be an active year for the Assessment Committee.

We will complete our work on the MMF and Securitization Reviews and report the outcomes to the FSB and the G20 Leaders. We will also conduct follow ups to our IBOR and FX Reviews, testing progress in implementing our recommendations. The outcomes of these reviews will also be reported to the FSB and G20 Leaders.

We will also start a new project assessing progress in implementing IOSCO's 2014 *Recommendations regarding the Protection of Client Assets*. This will be a project that will give IOSCO the opportunity to raise awareness of these recommendations and for the Assessment Committee to undertake a project addressing issues of interest and concern across our full membership.

We will progress and finalize our Country Review of Trinidad and Tobago and work to identify and start a further country review in the first half of 2016.

Of particular importance will be our work in updating and revising the IOSCO Principles and Methodology. A framework for conducting this update and revision was developed by the ITF Sub-Committee under the leadership of Mr. Bureau of the OSC during 2014 and will now be carried forward under the leadership of Philipp Suedeck of Germany's BaFin. This project will reflect on whether and how to update the Principles and Methodology to

take on board guidance developed since the last review in 2010 and 2011. It will also take on feedback we have received from members and particularly assessors about improvements to both documents.

Finally, we will also think through whether we should develop other forms of implementation reviews and assessments. Our current work is highly resource intensive. We need to consider whether there might be other less resource intensive ways of achieving the benefits of the programs we currently undertake.

## A Thank You

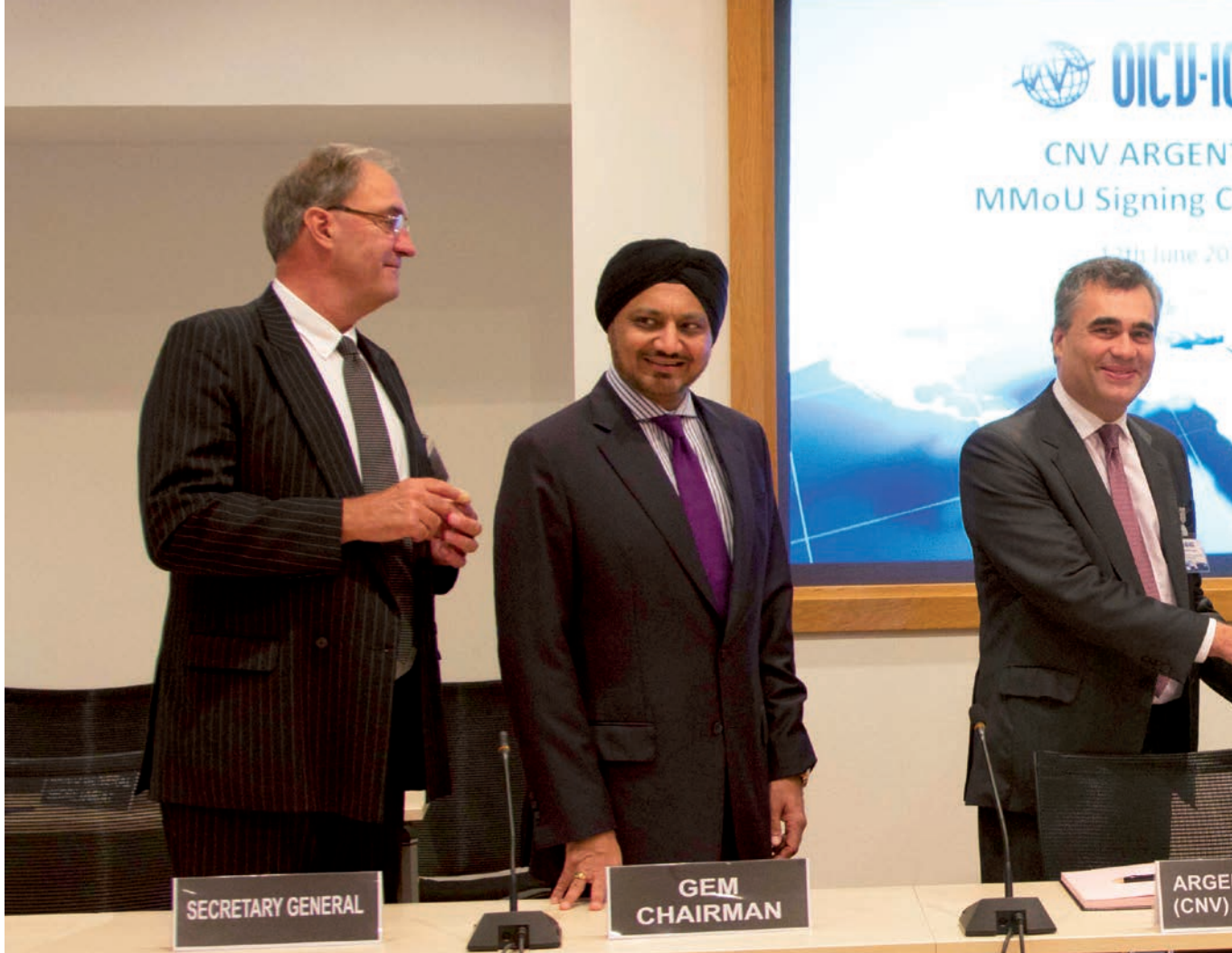
I would like to extend my thanks to the Assessment Committee, to every member of each review team and their agencies for their contribution through this year. I want particularly to thank Raluca Tircoi-Craciun of the IOSCO Secretariat for her professionalism and unflagging support to the committee.

Our work is challenging, intense and time consuming. We would not have been able to achieve what we have without your energy and commitment – and that of your agencies. It is enormously appreciated.

Finally, I would like to thank Mr. Singh of SEBI for his great support and dedication to and belief in our work through the year. I want also to thank Mr. Bureau of the OSC for his energy, insight and steady hand in building and guiding the ITF Sub-Committee. Finally, I want to thank Mr. Sudeck of BaFin for his enthusiasm and dedication in forging ahead with the sub-committee's work.







## The IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) Screening Group

- > Chair: **Georgina Philippou (UK FCA)**
- > Chair: **Jean-François Fortin (Québec AMF)**

**In 2010, IOSCO asked all its ordinary and associate members with primary responsibility for securities regulation in their jurisdictions to become signatories of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information by 1 January 2013. (For more information on enforcement and the MMoU see the *Committee on the Enforcement and Exchange of Information (C4)*)**

To encourage non-signatory members to take the necessary measures for signing the MMoU, IOSCO published in February 2013 the list of members who failed to meet the January deadline (at that time 30). Later in the year, IOSCO

adopted the first of a series of measures that gradually restrict the opportunities of non-signatory members to influence key IOSCO decisions due to the limited support they can provide IOSCO's enforcement efforts.



These graduated additional measures included:

*From 30 September 2013:* All outstanding non-signatory members will be restricted from nominating candidates from their organization for election or appointment to leadership positions.

*From 31 March 2014:* All outstanding non-signatory members in leadership positions will be asked to step down.

*From 30 June 2014:* The participation of non-signatory members in IO스코 Policy Committees will be suspended.

*From 30 September 2014:* The voting rights of all remaining non-signatory members will be suspended.

During its 2014 Annual Conference in Rio de Janeiro, IO스코 approved an additional measure:

*From 1 October 2014:* Participation in all other IO스코 Board Committees and Task Forces will also be suspended. The suspension shall endure until those members become MMoU signatories.

These measures are aimed at encouraging national governments and parliaments to take the necessary steps to support securities commissions in their efforts to comply with the MMoU. At the same

time, IO스코 reiterated its commitment to provide technical assistance and political support to those non-signatories who require it in order to sign the MMoU.

In 2014 the following IO스코 members became signatories to the MMoU, bringing the number of signatories to 103 at the end of 2014, out of a total of 126 eligible members.

- > The Financial Services Authority, Indonesia (January 2014)
- > The Palestine Capital Market Authority (February 2014)
- > The Comisión Nacional de Valores, Argentina (June 2014)
- > The Financial Regulatory Commission, Mongolia. (June 2014)

The Bank of Russia and the Financial Services and the Commission of Jamaica became signatories to the MMoU in February 2015.

The growing number of signatories has increased cross-border cooperation, enabling regulators to investigate a growing number of insider traders, fraudsters and other offenders. The annual figure increased to 2,658 in 2013 and to more than 3000 in 2014.



# IOSCO Research

**The Research Function of IOSCO 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. Securities markets are characterized by rapid change and financial innovation; securities regulators in their jurisdictions, and IOSCO at a global level, need to keep abreast of new products, business models, activities, participants and the potential systemic risks. Research helps IOSCO focus its strategic policy agenda and provides data for policy work.**

The Research Function consists of a Committee on Emerging Risks (CER), chaired by Theodor Kockelkoren, and a small Research Department at the General Secretariat, headed by Werner Bijkerk. In October 2014, Mr. Kockelkoren, a member of the Executive Board of the Netherlands Authority for the Financial Markets (AFM), succeeded Carlos Tavares of Portugal as Chair of the CER.

## The identification of global risks

The *IOSCO Securities Market Risk Outlook 2014-15* was published in October 2014. The Outlook, written by the Research Department with contributions from the CER, is based on a number of inputs, including data collection and analysis, construction of quantitative systemic risk indicators, extensive market intelligence, interviews with experts in major financial centers, risk roundtables with prominent members of industry and regulators, a survey of leading experts on emerging risk, analysis from academia and the regulatory community, input from IOSCO policy committees, 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 notable trends and potential vulnerabilities.

The main risks highlighted in the Outlook are associated with (1) the low interest rate environment and the search for yield; (2) the search for yield and risks associated with a reversal of capital flows to Emerging Markets; (3) the risks of central clearing; (4) the increased use of collateral and risk transfer; and (5) governance and the culture of financial firms.

The Outlook also highlighted trends and potential vulnerabilities. Among them are: (1) the growing importance of securities markets; (2) the growing impact of macro-economic policy on securities markets;

(3) increasing asset price valuation; (4) increasing vulnerabilities in real estate markets and real estate investment trusts; (5) capital flows to emerging markets that are affecting securities prices; and (6) growing derivatives markets and clearing.

For future work on risk identification and iterations of the Risk Outlook, the IOSCO Research Function has decided to expand its focus beyond systemic risk to include the risks facing two other IOSCO objectives: investor protection and fair, efficient and transparent markets. The department will draw up annually a long list of risks based on the views of experts from IOSCO and its global network. The Research Function will focus its analysis on a small selection of risks from this list that are considered most relevant to IOSCO.

## In-depth studies on pressing global issues

The Research Department also publishes in-depth exploratory analyses in the form of *Staff Working Papers*. Papers published in 2014 were:

- > The risks and benefits of *crowd-funding*;
- > A global perspective on *Corporate Bond Markets*, including potential systemic risks and the role in market-based and long-term financing.
- > A *Survey of Securities Markets Risk Trends* showing the changing perception of risks over the last three years.

Several of the reports were used by IOSCO policy committees as a basis for their global standard setting process and other policy work. The *crowd-funding* report was also discussed in the Financial Stability Board's Innovation Network.

## Data collection

IOSCO's data collection is available to members and the public on the research and statistics portal of the IOSCO website, and is steadily improving. Due to the growing need for basic global information and data on securities markets, and the scarce resources of the Research Department, the statistics website will steadily expand in the future. The Affiliate Members Consultative Committee (AMCC) and the International Investment Funds Association (IIFA) provide important data on investment funds, helping fill a data gap in this segment of the securities market. The AMCC, IIFA and the Research Department are working in 2015 to amplify and refine the investment data. Further data collection was started in collaboration with the Africa Middle East Regional Committee (AMERC). Finally, the CER plans to start gathering data in 2015. Both exercises will lead to further expansion of the statistical website.

## Outreach, debate and capacity building

The Research Department contributed to the risk roundtables at the IOSCO Board meetings during which experts exchanged views with members on a specific issue. Issues debated in 2014 were risks to emerging markets, the importance of corporate governance in financial institutions, and the impact of technical innovation – or digital disruption— on financial markets and services.

## A methodology of assessment of systemic risks

The CER published a paper describing various risk identification methodologies used by securities regulators and the systemic risk methodology developed by the IOSCO Research Department. It shows the progress made by securities regulators in addressing risks in the wake of the global financial crisis. Securities regulators are increasingly combining quantitative and qualitative tools to identify, monitor and analyze the potential risks posed by products, firms, markets, behavior and incentives.

## Participation in other fora for identifying global systemic risk

In its capacity as global standard setter of securities market regulation, IOSCO supports the global risk identification and mitigation efforts by the G20, the Financial Stability Board (FSB), the International Monetary Fund (IMF), the Committee on Payments and Market Infrastructures (CPMI) and other organizations that are tackling similar issues, such as the European Systemic Risk Board (ESRB) and the European Central Bank (ECB). To that end, the Chair of the CER and the staff of the Research Department engage these institutions, providing input and making presentations about potential systemic risks in securities markets. Ultimately, efforts to identify, monitor and mitigate risks throughout the financial system should help promote financial stability by curbing excessive risk taking, improving investor protection and facilitating capital formation.





# IOSCO's Global Education and Training Program

IOSCO is uniquely positioned to help prepare its members for the regulatory challenges that lie ahead. In response to a growing demand from members - and in particular emerging markets - IOSCO Education and Training continues to build members' regulatory capacity by offering new and innovative programs that draw on the expertise of IOSCO policy committees, industry practitioners, academia and the regulatory community. This program continues to be a primary vehicle for advancing IOSCO's regulatory goals and the implementation of its standards and principles.

## IOSCO Education & Training Activities 2014

### IOSCO Seminar Training Program

IOSCO's annual flagship capacity building program, the Seminar Training Program (STP), was held at IOSCO's headquarters in Madrid from 21 to 24 October 2014. The theme of the four-day program was *Regulatory Collaboration with Respect to Global / Cross-Border Securities Violations and Crimes and the Role and Use of the IOSCO MMoU*. As in past years, this program reached full capacity, attracting almost 100 participants from 45 different jurisdictions, including both signatories as well as non-signatories to the IOSCO MMoU.

The STP focused on enforcement cooperation and the IOSCO MMoU, new regulatory challenges, cross-border securities violations and crimes, insider trading investigations and litigation, market manipulation, regulatory investigations and credible deterrence. This interactive program featured several case studies and technical assistance break-out sessions that offered attendees a tailored response to their specific needs. As in previous years, the results of recent member surveys were the content driver of the 2014 STP program. STP's are designed to provide practical advice, as well as tools and solutions that regulators may immediately use in furtherance of their regulatory responsibilities.

### Mobile Seminar Training Program

Building on the success of the annual STP, IOSCO organizes similar *mobile* training seminars in the

different regions. In addition, IOSCO staff work closely with every host jurisdiction to ensure the program is tailored to the specific interests and needs of each region. Regional speakers and other new speakers are also invited to participate in the mobile STPs.

In 2014, the IOSCO Secretariat conducted three Mobile STPs in different regions of the world.

The Federal Financial Supervisory Authority (BaFin) of Germany hosted the Mobile STP for the European region in Frankfurt, from 26 to 27 June 2014. The theme of the STP was *Going Forward: Challenges in Securities Regulation and Practical Solutions for Meeting Those Challenges*. The program focused on market manipulation, insider trading, conducting regulatory investigations, ethics, investor protection, and the in-depth examination of recent regulatory cases. Fifty delegates from 24 jurisdictions participated in the program.

The STP for the Inter-American region was hosted by the Comisión Nacional Bancaria y de Valores (CNBV) Mexico from 12 to 14 November in Mexico City, Mexico. This three-day program revisited topics covered in the 2013 and 2014 STPs. It was attended by over 90 participants from 16 different jurisdictions.

The STP for the Asia-Pacific region was hosted by the Securities and Futures Commission of Hong Kong, from 9 to 10 December 2014 in Hong Kong, and was



attended by over 50 participants from 15 different jurisdictions. The intensive two-day program examined continuing regulatory issues, as well as practical approaches to the supervision of market intermediaries, enforcement, and regulation of investment products.

#### **Joint IOCSO / Financial Stability Institute (FSI) Seminar**

The 9<sup>th</sup> edition of the joint IOCSO and FSI Seminar took place at FSI's headquarters in Basel, Switzerland, from 19 to 21 November 2014. The FSI is the training arm of the Bank for International Settlements, making

this seminar an effective forum for examining cross-sectoral issues. The seminar focused on the regulation and supervision of trading books in banks and related market infrastructure for trading activities. In addition, participants discussed an array of issues related to financial market benchmarks, asset securitization, OTC derivatives reforms, capitalization of counterparty credit risk, cyber security, enforcement cooperation, and recent regulatory cases with global significance. Over 70 bank supervisors and securities regulators from over 40 different jurisdictions attended the seminar.



## Investor Education and Protection

Every year, IOSCO receives a growing number of invitations to participate in various international fora on investor education and protection issues.

An IOSCO staff member was an invited speaker at the European Securities and Markets Authority's (ESMA) Investor Education Conference held on 30 October 2014 in Paris. The IOSCO Secretary General spoke at the Conference on Financial Education and Investor Behavior hosted by the Comissão de Valores Mobiliários of Brazil, from 4 to 5 December 2014 in Rio de Janeiro.

IOSCO staff also contributed an article titled, *Investor Education: A Regulatory Perspective*, that was published in the April 2014 *EFAMA Report on Investor Education: Building Blocks for Industry Driven Investor Education Initiatives*.

## IOSCO AMCC Training Seminar

The Affiliate Members Consultative Committee (AMCC) of IOSCO conducted its sixth three-day training seminar from 8 to 10 April 2014 in Tokyo, Japan. The program covered the IOSCO Principles relating to the regulator, self-regulation, enforcement, market intermediaries, secondary markets, and collective investment schemes. The agenda also included an open half-day session on investor education and panels on dispute mediation, technological advances and the role of regulators, risks, technological advances and financial innovation affecting investor protection, and ahead of the curve regulatory topics. The seminar was co-organized by IOSCO, the Brazilian Financial and Capital Markets Association (ANBIMA), the Financial Industry Regulatory Authority (FINRA), the Japan Securities Dealers Association (JSDA), the Japan Exchange Group (JPX) and the Tokyo Stock Exchange Regulation (TSER).

## The IOSCO & IFIE Investor Education Conference

IOSCO continues to co-organize this joint program with the International Forum for Investor Education (IFIE). The 6<sup>th</sup> joint IFIE-IOSCO Investor Education Conference was held from 21 to 23 May 2014 in Washington D.C., and was hosted by the Financial Industry Regulatory Authority (FINRA). The theme of the conference was *Applying Theory to Action: Implementing Financial Capability/Investor Education Best Practices & Lessons Learned*. The conference was composed of different panels, breakout sessions, and practical workshops, and was attended by 125 delegates.

## GEM Committee Training Contributions Regulatory Workshops

The Growth and Emerging Markets (GEM) Committee of IOSCO continued organizing Regulatory Workshops for all IOSCO members. The 2014 GEM Committee Conference in Mauritius featured two workshops on 23 April 2014 on *Demutualization and its impact on exchange regulation and supervision*, and on *Improving financial access and capacity through investor/consumer education*. Two workshops were also held during the annual conference in Rio de Janeiro on the topics of *Risk Based Supervision* and *SME Financing*.

## IOSCO Corporate Bond Markets (CBM) Outreach Program

In 2013 IOSCO launched a CBM Outreach Program in collaboration with the World Bank. A workshop for the European region was organized in Rome in July 2014.

## IOSCO International Secondment Register

The Australian Securities and Investments Commission designed an International Secondment Register, which is located on the IOSCO Website. Through this register IOSCO members will be able to share information on the offer and demand for secondments within their organizations. The IT staff of the IOSCO General Secretariat, together with staff from ASIC, worked on the development and implementation of the International Secondment Register, which was launched in May 2015.

## Global Certificate Program for Securities Regulators

IOSCO Education and Training Surveys have shown over the past five years strong and increasing demand among members for a Global Certificate Program for Securities Regulators. In April 2014, the IOSCO General Secretariat conducted a comprehensive online survey to gain a fuller understanding of IOSCO members' needs and desires regarding a possible certificate program. In total 89 members responded to the survey, with a similar number of responses coming from each region (21 AMERC, 22 APRC, 24 ERC, and 22 IARC members). Responses were primarily from ordinary members (69 members or 77.53% of the total responses).

The results of this survey again confirmed overwhelming support for an IOSCO Global Certificate Program, with 96.63% (86 members) of all respondents indicating that education and training programs that offer certificates are either very important (61.80%) or somewhat important (34.83%). Particularly significant was that 91.01% (81 members) of all respondents indicated they would like to see IOSCO offer a formalized certificate program. Most respondents indicated a willingness to pay to attend the program.





# 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 in order to protect investors, maintain fair, efficient and transparent markets, and seek 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 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;

## 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 second half of the meeting.

At its Annual Conference in May 2012, IOSCO constituted a new Board that absorbed the functions of the Executive Committee, the Technical Committee and the Emerging Markets Committee Advisory Board. The Emerging Market Committee continued as a separate body renamed the Growth and Emerging Markets Committee (GEM).

The new streamlined governance structure and decision-making process was aimed at making IOSCO more effective and inclusive, helping position the organization for a larger role in shaping the global framework for securities market regulation.

The Board in 2013 was composed of 32 members who served a two-year term ending in September 2014. Members included all former Technical Committee members (representatives of the 18 commissions that regulated some of the world's larger, more developed markets), representatives from each of IOSCO's four regional committees and the Chair and ViceChair of the Emerging Markets Committee. Together, they ensured an appropriate balance and mix of members.

The new criteria for membership of the Board were approved at the IOSCO Annual Meeting in 2013 and the permanent structure was instated at the following Annual Meeting in Rio de Janeiro in September 2014.

As of September 2014, the IOSCO Board is composed of 34 members:

- a) ) The 18 members from jurisdictions with the largest markets (based on measures of equity market capitalization, debt market issuance, assets under management and derivatives trading),
- b) The Chair and the Vice Chair of the Growth and Emerging Markets (GEM) Committee,
- c) The chairs of the four regional committees,
- d) Two members elected by the GEM Committee from its membership,
- e) Two members elected by each of the four regional committees from their membership.

Mr. Greg Medcraft, the Chairman of the Australian Securities & Investment Commission (ASIC), took over as chair at the Board meeting in Sydney in March 2013, and was re-elected for another two-year term at the inaugural meeting of the newly constituted Board in Rio de Janeiro in September 2014. The Board Chairman is supported by two Vice Chairs; Mr. Howard I. Wetston, Chairman of the Ontario Securities Commission (elected by the Board in March 2013),

and Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia (ex-officio as GEM Chair).

**The Growth and Emerging Markets Committee (GEM Committee)** is the largest committee within IOSCO, representing 75% of the IOSCO's ordinary membership. Mr Ranjit Ajit Singh, Chairman, Securities Commission Malaysia, is the Chair of the GEM Committee. The two Vice Chairs are Mr. Bert Chanetsa, Deputy Executive Officer, Investment Institutions, Financial Services Board, South Africa, and Mr. Leonardo P. Gomes Pereira, Chairman, Comissão de Valores Mobiliários, Brazil. 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 comprises 93 members who include 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 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 bigger role in shaping the global

regulatory framework. The Chairman of the GEM Committee is one of the IOSCO representatives on the Financial Stability Board Plenary. The GEM Committee also has a seat on the IFRS Foundation Monitoring Board.

IOSCO also has **four regional committees**, which meet to discuss problems specific to their respective regions and jurisdictions:

- > 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 full description) are members of the Affiliate Member Consultative Committee (AMCC). IOSCO recognizes the importance of maintaining a close dialogue with its affiliate membership, and of ensuring that their input into IOSCO's policy development work is sought and encouraged.

## Annual Conference

IOSCO's members meet every year at its Annual Conference to discuss important issues related to global securities markets regulation. Event and registration information can be found at [www.iosco.org](http://www.iosco.org).

# Membership Categories and Criteria

## Categories

IOSCO has three categories of membership that are assigned according to the approach of each member to securities markets regulation. This structure enables all members to participate in IOSCO's debate on securities market issues.

The three categories are:

- > Ordinary;
- > Associate; and
- > Affiliate.

The annual membership fee from 2012 onwards is as shown in the following chart:

### ANNUAL FINANCIAL CONTRIBUTION STRUCTURE IN EUROS FROM 2012:

GDP <sup>1</sup>	National Per Capita Income <sup>1</sup>		
	1. Low Income	2. Middle Income	3. High Income
A. Low GDP	€ 12,500	€ 15,000	€ 16,000
B. Medium GDP	€ 15,000	€ 16,000	€ 21,000
C. High GDP	€ 16,000	€ 21,000	€ 30,000

<sup>1</sup>The categorization of jurisdictions will remain unchanged through the life of the current Strategic Direction (2012-2015)





## Ordinary

A national securities commission or a similar governmental body with significant authority over securities or derivatives markets is eligible for ordinary membership of the organization 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. If there is no governmental regulatory body in a country, a self-regulatory body, such as a stock exchange from that country, is eligible for ordinary membership of the organization.

Each ordinary member of the organization is a member of the Presidents Committee and has one vote at meetings of that committee and any other committees to which they belong. The Presidents Committee meets yearly at the annual conference.

In the case of a country where the subdivisions have exclusive jurisdiction over securities, the regulatory bodies of the subdivisions of that country that are

ordinary members shall have a maximum of three votes for all the subdivisions together in elections in meetings of the Presidents Committee, IOSCO Board, Growth and Emerging Markets Committee, regional committees, and in meetings of any other committee or on any other occasion where elections are held.

## Associate

The following are eligible for associate membership of the organization:

- > 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 speak at meetings of the Presidents Committee.



## Affiliate

The following bodies are eligible for affiliate membership of the organization.

- > 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 part of the Presidents Committee meeting to hear detailed reports on the work and key developments of the organization. Affiliate members are not entitled to vote at the Presidents Committee meeting.



### 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](mailto:info@iosco.org)  
Website: [www.iosco.org](http://www.iosco.org)



# IOSCO Members

## Ordinary Members (124)

AGENCY	COUNTRY
Albanian Financial Supervisory Authority	ALBANIA
Alberta Securities Commission	CANADA
Commission d'Organisation et de Surveillance des Opérations de Bourse	ALGERIA
Institut Nacional Andorra de Finances	ANDORRA, PRINCIPALITY OF
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, THE
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	CANADA
British Virgin Islands Financial Services Commission	BRITISH VIRGIN ISLANDS
Autoriti Monetari Brunei Darussalam	BRUNEI
Financial Supervision Commission	BULGARIA
Cayman Islands Monetary Authority	CAYMAN ISLANDS
Superintendencia de Valores y Seguros	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
Cyprus Securities and Exchange Commission	CYPRUS
Czech National Bank	CZECH REPUBLIC
Danish Financial Supervisory Authority	DENMARK
Superintendencia de Valores de la República Dominicana	DOMINICAN REPUBLIC
Superintendencia de Compañías y Valores	ECUADOR
Egyptian Financial Supervisory Authority*	EGYPT
Superintendencia del Sistema Financiero	EL SALVADOR
Financial Supervision Authority (Finantsinspektion)	ESTONIA
Financial Supervision Authority	FINLAND
Autorité des marchés financiers*	FRANCE
Bundesanstalt für Finanzdienstleistungsaufsicht*	GERMANY
Securities and Exchange Commission	GHANA
Financial Services Commission	GIBRALTAR
Hellenic Republic Capital Market Commission*	GREECE
Guernsey Financial Services Commission	GUERNSEY
Comisión Nacional de Bancos y Seguros (National Banks and Securities Commission)	HONDURAS
Securities and Futures Commission*	HONG KONG
Magyar Nemzeti Bank (The Central Bank of Hungary)	HUNGARY
Fjármálaeftirlitið - Financial Supervisory Authority	ICELAND
Securities and Exchange Board of India*	INDIA
Indonesia Financial Services Authority (OJK)	INDONESIA
Central Bank of Ireland	IRELAND
Financial Supervision Commission	ISLE OF MAN

\*Member of the IOSCO Board

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
National Bank of Kazakhstan	KAZAKHSTAN
Capital Markets Authority*	KENYA
Financial Services Commission/Financial Supervisory Service*	KOREA, REPUBLIC OF
State Agency for Financial Surveillance and Accounting	KYRGYZ REPUBLIC
Financial and Capital Market Commission	LATVIA
Financial Market Authority	LIECHTENSTEIN
Central Bank of the Republic of Lithuania	LITHUANIA
Commission de surveillance du secteur financier	LUXEMBOURG
Securities and Exchange Commission of the Republic of Macedonia	MACEDONIA, FORMER YUGOSLAV REPUBLIC OF
Reserve Bank of Malawi	MALAWI
Securities Commission*	MALAYSIA
Capital Market Development Authority	MALDIVES, REPUBLIC OF
Malta Financial Services Authority	MALTA
Financial Services Commission	MAURITIUS
Comisión Nacional Bancaria y de Valores*	MEXICO
Financial Regulatory Commission	MONGOLIA
Securities Commission of the Republic of Montenegro	MONTENEGRO
Conseil déontologique des valeurs mobilières	MOROCCO
The Netherlands Authority for the Financial Markets*	NETHERLANDS, THE
Financial Markets Authority	NEW ZEALAND
Securities and Exchange Commission*	NIGERIA
Finanstilsynet (The Financial Supervisory Authority of Norway)	NORWAY
Capital Market Authority	OMAN
Ontario Securities Commission*	CANADA
Securities and Exchange Commission*	PAKISTAN
Palestine Capital Market Authority	PALESTINE
Superintendencia del Mercado de Valores	PANAMA, REPUBLIC OF
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 (AMF Quebec)*	CANADA
Financial Supervision Authority (ASF)	ROMANIA
The Bank of Russia	RUSSIA
Capital Market Authority*	SAUDI ARABIA, KINGDOM OF
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 Services Board*	SOUTH AFRICA
Comisión Nacional del Mercado de Valores*	SPAIN
Securities and Exchange Commission	SRI LANKA
Republic of Srpska Securities Commission	BOSNIA AND HERZEGOVINA, FEDERATION 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
Trinidad and Tobago Securities and Exchange Commission*	TRINIDAD AND TOBAGO
Conseil du marché financier	TUNISIA
Capital Markets Board*	TURKEY
Capital Markets Authority	UGANDA
National Securities and Stock Market Commission	UKRAINE
Securities and Commodities Authority	UNITED ARAB EMIRATES
Financial Conduct Authority*	UNITED KINGDOM
Securities and Exchange Commission*	UNITED STATES OF AMERICA
Commodity Futures Trading Commission*	UNITED STATES OF AMERICA
Banco Central del Uruguay	URUGUAY
Center for Coordination and Development of Securities Market	UZBEKISTAN
Superintendencia Nacional de Valores	VENEZUELA
State Securities Commission	VIETNAM
Conseil régional de l'épargne publique et des marchés financiers	WEST AFRICAN MONETARY UNION
Securities and Exchange Commission	ZAMBIA

## Associate Members (12)

Comissao do Mercado de Capitais	ANGOLA
Centrale Bank van Curaçao en Sint Maarten	CURAÇAO
Dubai Financial Services Authority	DUBAI
European Securities and Markets Authority	EUROPE
European Commission	BELGIUM
Organisation de coopération et de développement économiques	FRANCE
Forward Markets Commission	INDIA
Securities and Exchange Surveillance Commission	JAPAN
Korea Deposit Insurance Corporation	KOREA, REPUBLIC OF
Labuan Financial Services Authority	MALAYSIA
Asian Development Bank	PHILIPPINES
Capital Market Authority	RWANDA
Union of Arab Securities Authorities	UNITED ARAB EMIRATES
International Bank for Reconstruction and Development	UNITED STATES OF AMERICA
International Monetary Fund	UNITED STATES OF AMERICA

## Affiliate Members (64)

Bolsa de Comercio de Buenos Aires	ARGENTINA
Bahamas International Securities Exchange	BAHAMAS, THE
Bahrain Bourse	BAHRAIN, KINGDOM OF
European Fund and Asset Management Association	BELGIUM
The Bermuda Stock Exchange	BERMUDA
BM&F Bovespa (Securities, Commodities and Futures Exchange)	BRAZIL
Brazilian Financial and Capital Markets Association	BRAZIL
Central of Custody and Financial Settlement of Securities	BRAZIL
BM&F Bovespa Market Supervision	BRAZIL
Investment Industry Regulatory Organization	CANADA
Mutual Fund Dealers Association	CANADA
Cayman Islands Stock Exchange	CAYMAN ISLANDS
Channel Islands Securities Exchange Authority Limited	CHANNEL ISLANDS

\*Member of the IOSCO Board

Shanghai Stock Exchange	CHINA
Shenzhen Stock Exchange	CHINA
China Securities Investor Protection Fund Co., Ltd.	CHINA
The Securities Association of China	CHINA
China Securities Depository and Clearing Corporation Limited	CHINA
China Financial Futures Exchange	CHINA
Taiwan Stock Exchange Corp.	CHINESE TAIPEI
Taipei Exchange	CHINESE TAIPEI
Taiwan Futures Exchange	CHINESE TAIPEI
Autorregulador del Mercado de Valores de Colombia	COLOMBIA
MISR for Clearing, Depository and Central Registry	EGYPT
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
Japan Securities Dealers Association	JAPAN
Japan Exchange Group, Inc.	JAPAN
Korea Financial Investment Association	KOREA, REPUBLIC OF
Korea Exchange	KOREA, REPUBLIC OF
Bursa Malaysia	MALAYSIA
Malta Stock Exchange	MALTA
The Nigerian Stock Exchange	NIGERIA
The Karachi Stock Exchange (Guarantee) Limited	PAKISTAN
National Association of Securities Market Participants	RUSSIA
Saudi Stock Exchange	SAUDI ARABIA, KINGDOM OF
Singapore Exchange Limited	SINGAPORE
Johannesburg Stock Exchange	SOUTH AFRICA
Bolsas y Mercados Españoles	SPAIN
SIX Swiss Exchange Ltd	SWITZERLAND
International Capital Market Association	SWITZERLAND
The Stock Exchange of Thailand	THAILAND
Borsa Istanbul	TURKEY
Turkish Capital Markets Association	TURKEY
Dubai Gold and Commodities Exchange	UNITED ARAB EMIRATES
NASDAQ Dubai Ltd	UNITED ARAB EMIRATES
Hedge Fund Standards Board	UNITED KINGDOM
ICI Global	UNITED KINGDOM
LCH.Clearnet Group Limited	UNITED KINGDOM
World Federation of Exchanges Ltd.	UNITED KINGDOM
Securities Investor Protection Corporation	UNITED STATES OF AMERICA
Financial Planning Standards Board Ltd.	UNITED STATES OF AMERICA
International Swaps & Derivatives Association, Inc.	UNITED STATES OF AMERICA
Depository Trust & Clearing Corporation (DTCC)	UNITED STATES OF AMERICA
CFA Institute	UNITED STATES OF AMERICA
CME Group	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





## Independent Auditors' Report on the Financial Statements

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

We have audited the accompanying financial statements of the International Organization of Securities Commissions (hereinafter the "Organization"), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the International Organization of Securities Commissions (IOSCO) as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DELOITTE, S.L.



Rodrigo Díaz  
Madrid, March 31, 2015



# Financial Statements

## Statement of Comprehensive Income (in euros)

Year ended December 31, 2014

Notes 1 and 2

	2014	2013
<b>REVENUE</b>		
Contributions from members (Note 3)	4.211.050	4.049.949
Annual Conferences (Note 3)	120.000	120.000
Exchange Gain	10.753	-
Other (Note 3)	30.549	6.882
<b>Total Revenue</b>	<b>4.372.352</b>	<b>4.176.831</b>
<b>EXPENSES</b>		
Salaries and employee benefits (Note 4)	2.177.824	2.005.855
Rental and maintenance (Note 13)	88.047	83.559
Travelling	467.133	473.865
Office Supplies	35.480	36.848
Organization and follow up of meetings	103.879	43.074
Telecommunications	103.975	104.487
Delivery and communication	6.113	7.176
Printing and Annual Report	48.853	38.886
Information Technology	152.651	149.842
Professional fees	87.618	100.435
Educational programs and TA	86.170	121.559
Miscellaneous	41.861	43.691
Exchange loss	-	1.613
PIOB Funding (Note 5)	100.000	100.000
Foundation (legal, consulting fees & travel) (Note 6)	-	215.488
Amortization of capital assets (Note 8)	39.316	37.025
<b>Total Expenses</b>	<b>3.538.920</b>	<b>3.563.403</b>
<b>Taxation (Note 11)</b>	<b>-</b>	<b>-</b>
<b>Excess of revenue over expenses before tax</b> (expenses over revenue)	<b>833.432</b>	<b>613.428</b>
Other comprehensive income net of tax	-	-
<b>Total comprehensive income for the year net of tax</b>	<b>833.432</b>	<b>613.428</b>

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

## Statement Of Financial Position (in euros)

Year ended December 31, 2014

Notes 1 and 2

	2014	2013
<b>ASSETS</b>		
Current assets		
Cash (Note 7)	1.277.690	1.019.790
Term Deposits (Note 7)	3.000.000	2.502.497
Accounts Receivable (Note 9)	59.175	99.569
Prepaid Expenses	52.239	65.560
	<b>4.389.104</b>	<b>3.687.416</b>
Capital Assets (Note 8)	110.240	53.999
<b>Total Assets</b>	<b>4.499.344</b>	<b>3.741.415</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	362.343	417.216
Contributions received in advance (Note 3)	238.646	259.276
<b>Total Liabilities</b>	<b>600.989</b>	<b>676.492</b>
<b>MEMBERS' FUNDS</b>		
Excess of revenue over expenses net of tax (expenses over revenue)	833.432	613.428
Unrestricted members' funds	3.064.923	2.451.495
<b>Total members' funds</b>	<b>3.898.355</b>	<b>3.064.923</b>
<b>Total liabilities and members' funds</b>	<b>4.499.344</b>	<b>3.741.415</b>

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



## Statement of Changes in Net Assets (in euros)

Year ended December 31, 2014

Notes 1 and 2

		2014	2013
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	3.064.923	3.064.923	2.451.495
Excess of revenue over expenses net of tax (expenses over revenue)	833.432	833.432	613.428
<b>Balance, end of year</b>	<b>3.898.355</b>	<b>3.898.355</b>	<b>3.064.923</b>

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

## Statement of Cash Flows (in euros)

Year ended December 31, 2014

Notes 1 and 2

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Total comprehensive income for the year net of tax	833.432	613.428
Depreciation of capital assets (Note 8)	39.316	37.025
Decrease (increase) in working capital items (Note 10)	(21.788)	209.029
<b>Net cash generated</b>	<b>850.960</b>	<b>859.482</b>
<b>INVESTING ACTIVITIES</b>		
Term deposits transactions (Note 7)	(2.500.000)	(500.000)
Capital expenditures (Note 8)	(95.557)	(14.975)
<b>Net cash used</b>	<b>(2.595.557)</b>	<b>(514.975)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1.744.597)</b>	<b>344.507</b>
Cash and cash equivalents, beginning of period	3.022.287	2.677.780
Cash and cash equivalents, end of period	1.277.690	3.022.287
<b>CASH AND CASH EQUIVALENTS</b>		
Cash (Note 7)	1.277.690	1.019.790
Term deposits (Note 7)	-	2.002.497
	<b>1.277.690</b>	<b>3.022.287</b>

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



# 1 Governing Statutes and Purpose of the Organization

The non-profit organization IOSCO (hereinafter “the Organization”), incorporated under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is an association of securities regulatory organizations. During 2001 the Organization changed its domicile to Madrid (Spain). It is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999.

IOSCO is the international standard setter for securities regulation. Its current membership comprises regulatory bodies from over one hundred jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws.

## 2 Accounting policies

### Basis of preparation

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

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

These financial statements were authorised for issue by the Secretary General of the Organization on March 31, 2015.

### Measurement bases

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

### Accounting estimates

The preparation of these financial statements in conformity with International Financial Reporting Standards 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. Actuals results may differ from these estimates.

### Revenue and cost recognition

Member contributions are deferred when prepaid and recognised as income only upon accrual and receipt. Contributions received in advance represent prepaid members contributions.

Operating costs are recognized as an expense when incurred.

### 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	Straight-line	25%
Vehicles	Straight-line	25%

## Foreign currency translation

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 translated to Euros at the foreign exchange 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 membership fees collected in the year, corresponding to contributions due for the reporting period and previous reporting periods and contributions from agencies applying for membership.

Annual conference revenue represents the contribution from the member hosting the Annual Conference.

Other revenue is comprised basically by interest from term deposits (see Note 7).

The account "Contributions received in advance" of the statement of financial position at 31 December 2014 includes funding received from members in 2014, amounting € 238,646; which is designated for subsequent periods (contributions of € 259,275 received in advance during 2013)

## 4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2014 and 2013 is shown in the chart below:

	2014			2013		
	Men	Women	Total	Men	Women	Total
Permanent staff	9	11	20	9	10	19
Secondees	7	1	8	4	3	7
Intern	-	1	1	-	1	1
<b>Total Staff</b>	<b>16</b>	<b>13</b>	<b>29</b>	<b>13</b>	<b>14</b>	<b>27</b>

	2014	2013
Gross salaries	1,837,552	1,665,780
Spanish social security	242,827	237,547
Other social benefits	97,445	102,528
<b>Total salaries and employee benefits</b>	<b>2,117,824</b>	<b>2,005,855</b>

(in euros)

In 2014 the Organization had the benefit of seconded staff from the China Securities Regulatory Commission (CSRC), Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Securities and Futures Commission of Hong Kong (SFC), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Securities and Exchange Commission of Nigeria (NSEC), the Financial Conduct Authority of United Kingdom (FCA), the Securities and Exchange Commission of the United States (SEC) and the Commissione Nazionale per le Società e la Borsa of Italy (CONSOB).

The normal mode of operation of the secondment program is for the Organization to enter into a trilateral agreement between the sponsoring member and the secondee, offering the secondee an employment contract in Spain.



Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat temporarily. 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. In order to enhance comparability, the amounts corresponding to the secondment program, both 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 – Other social benefits" account, as shown in the chart below:

	2014	2013
Revenue associated to the Secondment Program	566.757	299,738
Subsidized expenditure associated to the Secondment Program	(571.574)	(312,779)
<b>Net difference as at December 31</b>	<b>(4.817)</b>	<b>(13,041)</b>

(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 – Other social benefits" account, related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to € 33,438 (€ 56,549 for the year 2013).

There is a minority of cases where, as distinct from the above trilateral agreement, the sponsoring member continues to take care directly of all the employment, administrative and financial requirements with regard to the secondee, where IOSCO does not have any direct formal employment link with the secondee and does not hold any financial obligation, and in consequence revenue and the related expenditure has not been accrued.

## 5 PIOB Funding

The Monitoring Group, is a group of international financial institutions and regulatory bodies committed to advancing the public interest in areas related to international audit standard setting and audit quality.

The members of the Monitoring Group are: Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organization of Securities Commissions and the World Bank.

The Monitoring Group's mission is to

- > cooperate in the interest of promoting high-quality international auditing and assurance, ethical and education standards for accountants;
- > monitor the implementation and effectiveness of the IFAC Reforms, and in that connection, to undertake an effectiveness assessment of the IFAC Reforms and other aspects of IFAC's operations that involve the public interest;
- > through its Nominating Committee, appoint the members of the Public Interest Oversight Board (PIOB);
- > monitor the execution by the PIOB of its mandate;
- > consult and advise the PIOB with respect to regulatory, legal and policy developments that are pertinent to the PIOB's public interest oversight; and
- > convene to discuss issues and share views relating to international audit quality as well as to regulatory and market developments having an impact on auditing.

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

IOSCO has contributed €100,000 to the PIOB in 2014 and 2013, each.

## 6 IOSCO Foundation start-up costs

The IOSCO Board agreed in October 2012 to explore the feasibility of setting up an IOSCO Foundation to raise and apply additional funds to certain key activities. This exploratory phase consisted of seeking external legal and tax advice for the creation of a legal entity and conducting a preliminary outreach exercise to assess the potential of raising resources from external funding sources

The cost of this exploratory phase, which took place in 2013, had been fully funded by IOSCO and comprised legal and tax advisory services, consulting fees and travel costs.

## 7 Cash and Term Deposits

Cash is held in current bank accounts or bank term deposits denominated in Euros in Barclays Bank, S.A.U. and Santander Private Banking, both EU entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts. There are no restrictions for the use of cash.

The basic terms of the bank deposits as of 31 December 2014 and 2013 are shown in the charts below:

Counterparty (in euros)	Currency	Contract date	Maturity date	2014	
				Annualized interest rate	Amounts
Banco Santander	Euro	10/01/2014	10/02/2016 (*)	0.89%	500,000
Banco Santander	Euro	14/01/2014	14/02/2016 (*)	0.89%	500,000
Banco Santander	Euro	17/01/2014	17/02/2016 (*)	0.89%	500,000
Banco Santander	Euro	20/01/2014	20/02/2016 (*)	0.89%	500,000
Banco Santander	Euro	01/02/2014	01/03/2016 (*)	0.89%	500,000
Banco Santander	Euro	07/02/2014	07/03/2016 (*)	0.79%	500,000
<b>Total as at December 31, 2014</b>					<b>3,000,000</b>

(\*) Term deposits with quarterly liquidity windows.

Counterparty	Currency	Contract date	Maturity date	2013	
				Annualized interest rate	Amounts
Banco Santander	Euro	06/09/2013	06/10/2014	1.599%	500,000
Banco Santander	Euro	18/12/2013	10/01/2014	0.860%	500,624
Banco Santander	Euro	18/12/2013	12/01/2014	0.860%	500,624
Banco Santander	Euro	18/12/2013	14/01/2014	0.860%	500,624
Banco Santander	Euro	18/12/2013	16/01/2014	0.860%	500,625
<b>Total as at December 31, 2013</b>					<b>2,502,497</b>



## 8 Capital Assets

	Vehicles	Furniture and fixtures	Computer equipment	2014 Total
At the lower of recoverable value and cost				
Balance, beginning of year	-	59,485	608,166	667,651
Additions	37,561	45,114	12,882	95,557
Disposals	-	-	-	-
Balance, end of year	37,561	104,599	621,048	763,208
Accumulated depreciation				
Balance, beginning of year	-	(39,222)	(574,430)	(613,652)
Depreciation	(4,696)	(13,611)	(21,009)	(39,316)
Disposals	-	-	-	-
Balance, end of year	(4,696)	(52,833)	(595,439)	(652,968)
<b>Net as at December 31, 2014</b>	<b>32,865</b>	<b>51,766</b>	<b>25,609</b>	<b>110,240</b>

(in euros)

	Furniture and fixtures	Computer equipment	2013 Total
At the lower of recoverable value and cost			
Balance, beginning of year	59,485	593,191	652,676
Additions	-	14,975	14,975
Disposals	-	-	-
Balance, end of year	59,485	608,166	667,651
Accumulated depreciation			
Balance, beginning of year	(29,824)	(546,803)	(576,627)
Depreciation	(9,398)	(27,627)	(37,025)
Disposals	-	-	-
Balance, end of year	(39,222)	(574,430)	(613,652)
<b>Net as at December 31, 2013</b>	<b>20,263</b>	<b>33,736</b>	<b>53,999</b>

(in euros)

Fully depreciated capital assets amounted to € 579,599 thousand and € 535,518 thousand at 31 December 2014 and 2013, respectively.

## 9 Accounts receivable and accounts payable and accrued liabilities

### a) Accounts receivable

	2014	2013
Secondment contributions	39,855	82,402
Other	19,320	17,167
<b>Total Accounts receivable</b>	<b>59,175</b>	<b>99,569</b>

(in euros)

### b) Accounts payable and accrued liabilities

	2014	2013
Professional services	39,777	42,774
Occupancy	70,000	75,000
Spanish Taxes (employee's income tax withheld) and Social Security	106,985	97,912
Contractual staff commitments	54,000	79,406
Travelling	40,464	37,389
Other	51,117	84,735
<b>Total Accounts payable and accrued liabilities</b>	<b>362,343</b>	<b>417,216</b>

(in euros)

## 10 Information Included in the Statement of Cash Flows

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

	2014	2013
Accounts receivable	(40,394)	(22,460)
Prepaid expenses	(13,321)	(21,941)
Accounts payable and accrued liabilities	54,873	(25,353)
Contributions received in advance	20,630	(139,275)
<b>Increases (decreases) in working capital</b>	<b>21,788</b>	<b>(209,029)</b>

(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 upgrading and improving the current legal and tax framework for IOSCO in Spain.



## 12 Government Assistance

As part of the localization agreement in Madrid, IOSCO receives from the Spanish Authorities the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance expenses (electricity, water, elevator maintenance, etc). The estimated revenue in kind associated to the 56% share to use free of charge of the 12 Oquendo premises is of € 388,344 (€ 408,000 in 2013).

Finally, the agreement between CNMV and IOSCO set out that the CNMV will be responsible for meeting the costs of security and maintenance of security systems in the IOSCO premises; insuring the premises; and municipal and local property taxes. The revenue in kind attributed to the 56% share of the 12 Oquendo premises IOSCO occupies has been estimated at € 67,642 for 2014 (€ 49,273 in 2013).

## 13 Rental and Maintenance

	2014	2013
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	70,000	75,000
Other external maintenance services	18,047	8,559
<b>Total rental and maintenance</b>	<b>88,047</b>	<b>83,559</b>

(in euros)

## 14 Auditors' remuneration

The total annual remuneration paid by IOSCO to its auditors is € 9,000 for 2014 and 2013.

## 15 Subsequent Events

In the opinion of the management there are no significant events that need to be reported.