IOSCO Research

The Research Function was set up in 2010 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. The IOSCO Strategic Direction 2015-2020 expanded the scope of this research mission to go beyond financial stability and include IOSCO´s two other core objectives: investor protection and fair, efficient and transparent markets.

Securities markets are characterized by rapid change and financial innovation. Securities regulators in their jurisdictions, and IOSCO at a global level, rely on the Research Function to help keep them informed of potential risks arising from new products, business models, activities, and participants. The Research Function helps IOSCO focus its strategic policy agenda and provides insights for policy work.

The Research Function consists of the Committee on Emerging Risks (CER) and a small Research Department at the General Secretariat, headed by Werner Bijkerk. In October 2016, Paul Redman succeeded Jennifer Marietta-Westberg of the SEC as the chair of the CER. Benedicte Nolens of the Hong Kong SFC is the CER Vice Chair.

The identification of global risks

During 2016, the Research Function prepared the *IOSCO Research Report on Financial Technologies (Fintech)*. The report, which was published in February 2017, is based on extensive market intelligence and surveys, interviews with experts in major financial centers, roundtable discussions on risk with industry and regulators, input from other IOSCO committees, including the Growth and Emerging Markets Committee, and risk reports and presentations by experts.

The report describes a variety of innovative business models and emerging technologies that are transforming the financial services industry, including:

- financing platforms: peer-to-peer lending and equity crowdfunding;
- retail trading and investment platforms, including robo-advisers and social trading;
- institutional trading platforms, with a specific focus on innovation in bond trading platforms; and
- distributed ledger technologies, including application of the blockchain technology and shared ledgers to the securities markets.

The report analyzes both the opportunities and risks that each of these new technologies presents to investors, securities markets and their regulators.

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Data collection and governance

Data on financial markets is available to members and the public on the research and statistics portal of the IOSCO website. Having more available data will enable regulators to better monitor emerging risks in securities markets. During 2016, the CER continued to work on a number of data related initiatives including:

- updating a mapping of the data available to its members:
- surveying its members regarding the data available specific to asset management, to help inform the ongoing debate on this industry: and
- gathering information from its members about data governance practices and approaches at regulatory agencies.

Outreach, debate, training and education, and capacity building

In 2016, staff of the Research Department participated on panel presentations and provided training at meetings and events held by IOSCO members, other regulatory organizations, and market participants.

Participation in other fora for identifying global systemic risk

In its capacity as global standard setter for securities market regulation, IOSCO supports the global risk identification and mitigation efforts of 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 staff of the Research Department and the Chairman of the CER actively engage with these organizations and institutions by providing input and making presentations about potential risks in securities markets.

Ultimately, efforts to identify, monitor and mitigate risks throughout the financial system should help promote financial stability by detecting vulnerabilities, improving investor protection and facilitating capital formation.