Annual Report 2017

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

OICV-IOSCO

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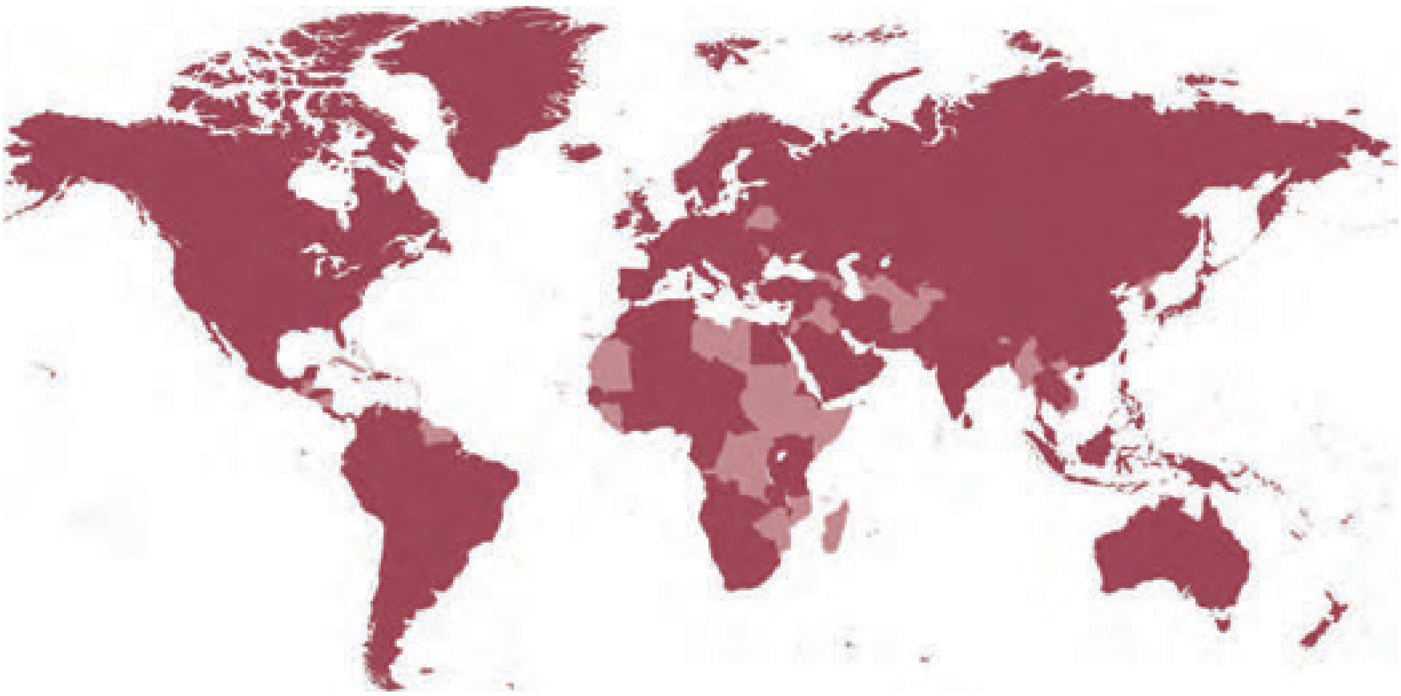
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

OICU-IOSCO

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.

IOSCO MEMBERSHIP



IOSCO MEMBERSHIP

NON-MEMBER JURISDICTIONS

Note: The following two organizations are ordinary members:

1. The **West African Monetary Union (WAMU)**, which comprises Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo.
2. The **Commission de Surveillance du Marché Financier de l'Afrique Centrale (COSUMAF)**, which comprises Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea, and Chad.

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Report from the Chair of the IOSCO Board

Mr. Ashley Alder
> Chair of the IOSCO Board
> Chief Executive Officer of the Securities and Futures Commission

Change is a permanent feature of financial markets. Technological innovation, new business models, and cross-border market connectivity present significant opportunities for financial markets, but they also give rise to new risks that must be managed. The challenges ahead cut across all financial sectors.

As Chair of the IOSCO Board, my objective is to enhance the relevance of IOSCO's work to its wider membership, promote better interaction between members from emerging and developed markets, and to enhance the relationship between IOSCO and the Financial Stability Board (FSB) based on a better understanding of our different perspectives on market risks and investor protection.

I also want to ensure that IOSCO Board meetings continue to prioritize discussion of substantive market issues over internal process matters. To achieve these goals, IOSCO relies heavily on the expertise of our members and effective coordination by the General Secretariat.

I believe that IOSCO has accomplished some, but not all of these objectives. Much remains work in progress.

Board and other organizational matters

IOSCO has introduced measures to enable the Board to spend the vast majority of its time on matters of substance for the wider IOSCO membership. The work of policy committees is now more closely aligned with Board priorities. I am pleased to report that the Board spends more time on topics that are of direct relevance to the front-line work of IOSCO members and their respective organizations.

The Board now sets priorities that are subject to annual review and adopts a bottom-up and top-down approach to identify these priorities. The roles and responsibilities of IOSCO policy committee Chairs and Vice Chairs, as well as expectations of policy committee members, have also been clarified.

All Board meetings save for that at the Annual Conference are now held at IOSCO headquarters in Madrid, as are many policy committee meetings. This has increased overall efficiency and lowered IOSCO Secretariat costs.

We also have shortened Board meetings to a maximum of one and a half days. Steps have been taken to streamline the IOSCO Annual Conference to reduce redundant reporting and updates, reduce the time commitment of principals and heads of delegation and, crucially, to enhance interactions between Board members and the broader membership. The Board has formally agreed to discontinue industry sponsorship for IOSCO events to avoid any perception of conflicts of interest.

IOSCO has continued its effort to reduce the large number of work streams, although this remains a challenge. IOSCO should continue to focus on fewer but more important areas. By doing this, we can better deploy and coordinate members' market expertise

and scarce resources on work that is timely, forward-looking, and relevant.

Growth and emerging markets

IOSCO continued to place importance on inclusiveness by drawing on the expertise of its Growth and Emerging Markets Committee (GEMC) and the Affiliate Members Consultative Committee (AMCC).

The first IOSCO Regional Capacity Building Hub opened in Malaysia last year. For the first time, IOSCO has established a presence outside its Madrid headquarters, which will significantly strengthen IOSCO's capacity building efforts through a wide range of training activities and programs, particularly for members from growth and emerging markets in the Asia Pacific and other regions.

The Assessment Committee process has been revised to be of greater utility to a larger number of GEM members. In January 2018, the committee conducted a three-day workshop on *'Capacity Building for Self-Assessments'* to promote the implementation of IOSCO Principles and Standards.

The first IOSCO World Investor Week was a great success in promoting financial literacy and fostering learning opportunities for investors. This event was supported and endorsed by the G20, the World Bank, the International Forum for Investor Education (IFIE), the Inter-American Development Bank (IDB), the Organisation for Economic Co-operation and Development (OECD), and the International Network of Financial Services Ombudsman Schemes. The Board has decided to hold this membership-wide event annually.

By revising the format for the Presidents Committee meeting, we are starting to convert the Annual Conference into a more inclusive Annual Meeting of the IOSCO membership. The revised format and content is intended to make the Presidents Committee meeting more substantive and to encourage a broad range of members to participate actively in the discussions.

Financial Stability Board (FSB)

IOSCO continues to work closely with the FSB on areas of mutual interest. I have attempted to ensure that the perspective of securities regulators is understood within the FSB via IOSCO´s representation at FSB Plenary and FSB Steering Committee meetings.

A notable example was our early and substantial discussions with the FSB while it was formulating its initial policy recommendations on structural vulnerabilities in asset management, after which IOSCO finalized and published its own recommendations. We have been closely involved in discussions on emerging risks, such as those arising from crypto-assets, and with the FSB's work on evaluating the effects of reforms.

CPMI-IOSCO

We continued to be heavily involved in this important work which deals with the post-crisis OTC Derivatives reforms. I co-chair the CPMI-IOSCO Steering Group with Benoit Coeuré of CPMI (the Committee on Payments and Market Infrastructures).

EMMoU

IOSCO´s adoption of the Enhanced Multilateral Memorandum of Understanding (EMMoU) in March 2017 boosted the ability of its members to keep pace with market developments and enhance information sharing and cooperation. The EMMoU includes additional powers to help members improve cross-border enforcement and information exchange, such as the ability to obtain and share existing internet service provider records and telephone records.

By the end of 2017, twelve jurisdictions had applied to be signatories to the EMMoU, and more applications were under review.

The above only skims the surface of the significant policy areas and activities where IOSCO has an important role. IOSCO policy committees and other working groups, supported by a dedicated Secretariat, have all contributed considerable time and effort to projects ranging from asset management recommendations, the establishment of networks to pool experiences with ICOs and data analytics, retail OTC products, leverage in funds, volatility controls in exchange markets, and bond market liquidity. And this is only a sample of IOSCO work.

Going forward

I believe that IOSCO needs to continue to work hard to (i) be recognized, without question, as the fulcrum for its members to properly identify and interact on those matters that are especially suited to an international approach and (ii) provide a valuable service to developing markets, both large and small, that wish to embed the IOSCO Principles domestically.

The FSB, the IMF, and others have recognized that post-crisis reforms and financial policies have increased the importance of market-based finance relative to bank credit markets. There is a commonly held view that *"we've focussed only on the banks and dumped risk into markets"* (a quote from an FT article on 4 May 2018).

Consequently, IOSCO should continue to coordinate work on matters such as crypto-assets and data analytics and lead on issues to do with the intersection between data protection and cross-border regulation. It should focus on risks arising from links between the banking sector and capital markets and more broadly act a forum for its members to address the rapid evolution of data-centric financial services operating outside traditional formats.

We will also need to address concerns about the availability of market liquidity in a crisis – which seems to have displaced leverage as a financial stability priority among many policy makers. There is also a growing dialogue about cross-border *recognition* and *deference* which, while politically sensitive, goes to the heart of our ability to cooperate, mitigate cross-border risks and minimize market fragmentation.

To move forward, we will need to refresh and update our work and review how the IOSCO Secretariat can contribute further to support the Board, our member-led policy committees, our task forces, and working groups consistently and clearly, amid an ever-changing environment.

I want to thank all IOSCO members for your continued support of our efforts to further IOSCO's objectives in areas that impact and are relevant to market regulators, standard setters, and financial markets.

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

Mr. Ranjit Ajit Singh
> Vice Chair of the IOSCO Board
> Chair of the Growth and Emerging Markets Committee
> Chairman of the Securities Commission Malaysia

I am pleased to present this year's Report of the Growth and Emerging Markets (GEM) Committee, which provides an account of our initiatives throughout 2017. Working together with the GEM Vice Chairs, the GEM Steering Committee, and GEM members, the Committee has made significant progress in several important areas.

In this regard, the Committee's overarching priorities have focused on strengthening regulatory and policy work on emerging market issues, enhancing the regulatory capacity of emerging market regulators as well as reviewing the implications of global developments on emerging markets.

Further, there continues to be significant interest in the efforts and initiatives of the GEM Committee, whose membership stood at 107 members at the end of 2017. International organizations, as well as regulators in developing and developed markets, are showing increasing interest in participating in the meetings and initiatives of the GEM Committee.

Strengthening GEM policy work

A key IOSCO focus area for the GEM Committee is Sustainable Financing. The work is aimed at understanding better the key imperatives for creating a facilitative ecosystem for sustainable financing and the role of securities regulators in this area. The GEM Committee's work also aims to gain a better grasp of the issues and challenges impacting the development of sustainable financing in capital markets, including the development of sustainable asset classes in emerging markets.

The GEM Committee established in 2017 a working group in this area, co-chaired by GEM Vice Chair Marcos Ayerra and myself. Following the approval of the mandate, the Working Group conducted a survey at the end of 2017 to elicit information on the approaches and initiatives across GEM jurisdictions regarding sustainable financing. The work will culminate in a report to be completed by end 2018.

As a follow up on the GEM Committee's *Report on Corporate Governance in Emerging Markets,* published in September 2016, the GEM Committee hosted a Corporate Governance Dialogue with institutional investors on 30 June 2017 in London. Close to 50 participants including capital market regulators, institutional investors, and key market participants attended the event. This meeting was the Committee´s first discussion with institutional investors on key governance issues impacting investment decisions of institutional investors in emerging markets.

Enhancing GEM regulatory capabilities

Several initiatives were launched in 2017 to support GEM members in their efforts to strengthen regulatory capacity and promote the cross-sharing of expertise. This includes the establishment of a Data Sharing Platform and a Help Desk facility, as well as a Regulatory Cyber Workshop.

(i) Data sharing platform

The GEMC, working with the IOSCO General Secretariat, launched a Data Sharing Platform for sharing practical and organizational information among GEM regulators, as a way to foster the cross-sharing of expertise and strengthen regulatory capacity. This information includes, for example, operational data and practices, market data, legal frameworks, etc., to facilitate the development of effective regulatory frameworks for securities regulation. Thirty jurisdictions submitted data to the Data Sharing Platform via an online questionnaire.

Phase 1 of the Data Sharing Platform is accessible to all participating GEM Committee members, who will be able to download the whole dataset and sort the information by jurisdiction and by topic. Phase 2 of the Data Sharing Platform is expected to include additional functionalities, such as more sophisticated data comparison tools, and the option to extract charts, graphs. Phase 2 of the Data Sharing Platform was expected to be launched by May 2018.

(ii) Help desk facility

This facility is intended to act as a one-stop facility where members can call upon the help desk and use it as a sounding board or seek advice in the event of a significant market issue (e.g., market stress or an extreme market volatility event). Members can also use the help desk as a conduit for channeling general regulatory discussion topics or questions to IOSCO and fellow regulators. The IOSCO General Secretariat will help provide prompt feedback to members' inquiries, including facilitating responses from other members.

(iii) Regulatory Cyber Workshop

As part of the GEM Committee's efforts to strengthen regulatory capabilities and preparedness in addressing cyber threats, it held a Regulatory Cyber Workshop during its Annual Meeting in Sri Lanka. The workshop, conducted in collaboration with market experts, included a cyber simulation exercise and involved over 100 participants from GEM Committee and the Asia-Pacific Regional Committee (APRC) jurisdictions. Recognizing very early the importance of strengthening cyber resilience, the workshop in Sri Lanka followed the earlier exercise conducted at our GEM annual meeting in Indonesia in January 2016.

The Regulatory Workshop provided participants with a better understanding of critical cyber developments

and risks, such as emerging copycat attacks, new technology, and methods to breach and compromise information and financial systems. The Workshop also analyzed scenarios and measures to strengthen regulatory responses and recovery, sharing of information and intelligence, and the communication channels of regulators. The GEM Committee agreed that a key takeaway from the workshop was the need to draft a Guidance Note for GEM regulators as a tool to better manage and mitigate cyber risks.

GEM Annual Meeting and Conference

The GEM Committee held its annual meeting in Colombo, Sri Lanka in September 2017. Hosted by the Securities and Exchange Commission, Sri Lanka, the two-day event comprised meetings of the GEM Steering Committee and the GEM Plenary, a Regulatory Workshop on Cyber Resilience and a Conference on *Enhancing sustainable and innovative market-based financing*.

The key themes of the GEM Conference were based on issues impacting emerging markets and the areas on which the GEM Committee is focusing. These included challenges in developing sustainable market-based financing in emerging markets and the role of policy makers, regulators, and market participants in promoting relevant market based responses to these issues. The Conference also discussed key factors

impacting liquidity in emerging markets, as well as the effectiveness of measures in improving liquidity. Another important theme related to Fintech in capital markets, and how emerging markets can leverage on innovative technology while ensuring robust regulatory frameworks.

This was the first time that the GEM Annual Meeting and Conference were held back to back with a regional committee meeting, in this instance the Asia-Pacific Regional Committee meeting. The events brought together regulators from both emerging and developed markets, allowing for greater engagement and collaboration among the members. Future GEM Committee Annual Meetings are expected to be held back to back with other regional committee meetings. We look forward to having the next GEM Annual Committee Meeting and Conference in conjunction with the Inter-American Regional Committee Meeting in September 2018.

Finally, I would like to express my appreciation to the GEM Vice Chairs, Marcos Ayerra and Paul Muthaura, and members of the GEM Steering Committee for their contribution. I would also like to acknowledge the contribution of the IOSCO Secretary General and the GEM team at the General Secretariat. I look forward to GEM members actively participating in our work to continue the Committee´s efforts and advance its important agenda.

Report from the Chair of the Affiliate Members Consultative Committee (AMCC)

Mr. José Carlos Doherty
> Chair of the Affiliate Members Consultative Committee
> Chief Executive Officer of the Brazilian Financial and Capital Markets Association (Anbima)

The Affiliate Members Consultative Committee (AMCC) is responsible for contributing to IOSCO policymaking, reaching out to industry representatives, and supporting capacity-building initiatives. In 2017, the Committee, which includes self-regulatory organizations, market infrastructures, and trade associations, provided IOSCO with first-hand information on novel technologies, asset management, and other priority mandates. The AMCC also organized the 10th edition of the Regulatory Staff Training Seminar, the annual two day program on the implementation of IOSCO Principles.

In 2017, the AMCC again assumed the policy priorities defined by the IOSCO Board. At its Annual and Mid-Year Meeting, the AMCC engaged in highly productive discussions with leading representatives of the international regulatory community in what were a testament to just how closely intertwined the policy priorities of the AMCC and the IOSCO Board have become.

However, I believe the biggest benefit of this growing integration is the range of opportunities it provides for Affiliate Members to participate and share their expertise with the broader IOSCO membership in various priority areas. In this sense, the note below describes the most relevant opportunities.

Innovation in the spotlight

Developments in financial technologies have been a central focus of the AMCC's agenda in recent years, to such an extent that the Committee decided in 2016 to create a task force specifically designed to address this topic.

The discussions about Fintech developments in 2017 started with a panel discussion at the AMCC Annual Meeting in Jamaica. Presided by the Chair of the AMCC Fintech Task Force, the debate covered issues such as the implications and opportunities for the traditional financial advice market of Fintech tools and automated platforms. Participants also heard the views of the exchanges and market infrastructures community on distributed ledger technology (DLT) and discussed the possible impact of new technologies on the regulation of market intermediaries. The AMCC has posted a detailed summary of the views expressed at the meeting on its webpage.

Members also had the opportunity to opine on Fintech issues on different occasions throughout the year, including on panels at the Regulatory Affairs Group and through submissions to the quarterly AMCC Newsletter.

Ultimately, the expertise gained by the Committee allowed AMCC members to contribute to various consultations on novel technologies published by the IOSCO Committee on Emerging Risks (CER). The novelty here is that this time the consultation specifically sought feedback on the regulatory perspective. These consultations entailed distributing a survey to members with regulatory functions and issuing a call for responses from members able to tap industry participants for their views.

Inputs into policymaking

Together with Fintech, two other topics are core to the AMCC agenda: cybersecurity and investment funds data.

Regarding the first topic, the AMCC Working Group on Investment Management Cybersecurity administered the third edition of the AMCC/ICI Global Cybersecurity Asset Management Survey. As on previous occasions, the asset managers and trade associations that participated are able to review the survey results, which they use to appraise peer practices and understand how the industry benchmark has evolved from previous years.

Regarding the second topic, the AMCC established a group to evaluate developments arising from the FSB's recommendations to address structural vulnerabilities from asset management activities, specifically regarding leverage.

Moreover, affiliate members provided a significant number of responses to surveys on senior senior investor vulnerability and the application of behavioral insights to investor protection policies. Members also participated actively with a series of events in 2017 World Investor Week, in the Americas, Europe and Asia.

Capacity building

In 2017, the IOSCO AMCC Regulatory Staff Training Seminar celebrated its 10th edition. The BSE Ltd. hosted this commemorative edition of the yearly training program, which drew more than 70 attendees (regulators, self-regulators, and exchanges) to the exchange's historical trading pit in Mumbai. The three-day program focused on *Implementing IOSCO Principles* and included panels about market surveillance, enforcement, cyber resilience, SME financing, Fintech, and corporate governance. The Training Seminar also featured keynote speeches from local experts in the areas of litigation, insolvency procedures, and start-ups.

The 2018 edition of the IOSCO AMCC Regulatory Staff Training Seminar is already under preparation. This event shall take place in the final weeks of October, in London, hosted by the International Derivatives and Swaps Association (ISDA).

Looking forward

The AMCC expects its work streams on investment fund data, cybersecurity, and Fintech to remain active in 2018. Some of the areas where the AMCC could contribute its experiences are cyber resiliency, and the assessment of international derivatives reforms, among others.

Taking advantage of the Board's efforts to streamline priorities, the AMCC will exploit the existing synergies with IOSCO's focus areas. Ultimately, IOSCO´s streamlined agenda could provide more opportunities for affiliate members to provide timely and meaningful contributions to projects that matter.

Report from the IOSCO Secretary General

Mr. Paul Andrews
> IOSCO Secretary General

As I indicated in last year's report, IOSCO planned to focus its efforts during 2017 on five focus areas, and I am pleased to say that we have made significant progress in each area:

1. **Strengthening the structural resilience of capital markets;**
2. **Addressing data gaps and information sharing issues;**
3. **Applying new insights into investor protection and investor education;**
4. **Analyzing the role of securities markets in capital-raising and sustainability issues, and the related role of securities regulation; and**
5. **Examining the role of regulation in financial technology and automation.**

Each of these five areas is critical for IOSCO and its members because each one impacts our markets, our supervisory approaches, and how we protect investors.

In the **first focus area**, the key question is whether we are better protected from the next crisis, regardless of whether it derives from central counterparties, bond market liquidity, market volatility, asset management, or elsewhere.

The **second focus area** seeks to address our collective need for additional and more consistent data in areas that are drawing greater attention, such as bond market liquidity in stressed conditions or how markets are dealing with collateral transformation of assets.

The **third focus area** is critical to IOSCO's overarching mission of protecting investors. We are constantly searching for new and innovative ways to help investors guard against fraud and mis-selling. Sometimes that will entail regulators looking for new oversight techniques and focusing on target populations that may be particularly at risk.

The **fourth focus area** is important for many of our members, including those that have a market development mandate as part of their overall mission. There is a never-ending search for instruments such as infrastructure or sustainable finance products that can play a role in how markets evolve and become deeper and more liquid.

I suspect that the **final focus area** will be a perennial issue for IOSCO as the speed, complexity, and scale of technological development is unprecedented. Whether it is thinking about ways that distributed ledger technology can help make markets and regulators more effective, or how robo-advice can be used to meet investor needs, or developing new approaches to cybersecurity and resiliency, IOSCO must be at the forefront of efforts to confront these new challenges.

Within this overall context, I thought it would be helpful to provide you with a few specific examples of our work in each focus area during 2017.


OICU-IOSCO
London
Stock Exchange

Focus Area 1

Strengthening the structural resilience of capital markets

One of the key deliverables in this area is IOSCO's *Final Report on Recommendations for Liquidity Risk Management for Collective Investment Schemes* and the accompanying *Good Practices and Issues for Consideration*, which we published in early 2018. We believe that this report is important because it puts to rest the general discussion about whether asset managers – as institutions -- should be considered SIFIs – Systemically Important Financial Institutions. In the report, IOSCO looks at the ***activities*** of asset managers to assess whether there are potential systemic risks and vulnerabilities involved. We do not look at the institutions themselves. In the report, we make various recommendations on what asset managers can do to mitigate any systemic vulnerabilities arising out of their day-to-day functions.

At the same time, through our joint work with the Committee on Payments and Market Infrastructures (CPMI), we published a final report on the resiliency of central counterparties (CCPs) and a revised report on recovery of financial market infrastructures (FMIs). CCPs are a critical piece of the financial plumbing that helps to ensure the smooth functioning of the markets. The report on CCP resilience provided more granular guidance on several key aspects of the *CPMI-IOSCO Principles for Financial Market Infrastructures*, to further improve the resiliency of CCPs. It focuses on five key aspects of a CCP´s financial risk management framework and on a CCP´s contribution of its financial resources to losses. The revised report on recovery of FMIs clarifies aspects of the replenishment of financial resources, non-default losses, implementation of recovery plans, and use of recovery tools.

Given that cyber-attacks now pose a major risk to financial stability and investor protection, the Board set up a Cyber Task Force in 2017 to take a broad look at capital markets and their participants to determine how to improve their cyber security and resilience. This task force intends to report back to the Board on its findings before the end of the year. At the same time, work on cyber issues has also been carried out by the GEMC and is being addressed to securities regulators from growth and emerging markets.

As the world enters a more volatile phase of the financial market cycle, caused in part by a welcome return to growth and post crisis market conditions, we should expect bouts of extreme volatility that could undermine market integrity and investor confidence. In response, IOSCO is developing a report for publication in 2018 on measures that trading venues can use to address the risks from extreme volatility and strengthen international capital market resilience.

One final achievement in this area involves the Assessment Committee's effort to monitor the implementation of the IOSCO Principles and Standards related to secondary markets across the IOSCO membership. The results of this exercise will be available in 2018. A related significant achievement is that the IOSCO Objectives and Principles of Securities Regulation and the Methodology for assessing the implementation of these principles have been revised to incorporate all relevant reports since November 2011, which was the date of the last significant update.

Focus Area 2

Addressing data gaps and information sharing issues

On information sharing, a subgroup of the Board has spent countless hours working with all interested parties on aspects of the upcoming European General Data Protection Regulation or GDPR. The GDPR has the potential to significantly impede the sharing of information among IOSCO members under both the IOSCO MMoU and bilateral supervisory agreements if the information exchange contains personal data as defined under the regulation. The Board subgroup is seeking a solution that will uphold the key policy objectives underlying the GDPR while strengthening IOSCO´s investor protection and enforcement efforts through the continued exchange of relevant information. We remain hopeful that we will find a workable solution.

In a significant breakthrough, IOSCO adopted the Resolution on the Enhanced Multilateral Memorandum of Understanding (EMMoU) in 2017, and it already has approved the first set of EMMoU signatories.

Access to data continues to be vital to IOSCO´s work. During 2017, our Committee on Emerging Risks conducted important fact-finding work in various areas, which included gathering information and data on how corporate bond markets react in stressed conditions and examining data related to collateral transformation. These are important foundational pieces of work in areas that IOSCO will continue to watch closely to determine whether we should play a more active policy-related role.

We also worked closely with our colleagues at CPMI to develop guidance regarding the definition, format, and use of key over the counter derivative data elements, including unique transaction identifiers (UTI) and unique product identifiers (UPI). Harmonization of data elements is a crucial condition to aggregate OTC derivatives data on a global basis, which in turn should help our members with their regulatory and supervisory tasks. During the year, we finalized both UTI and UPI technical guidance, and we are continuing work on other critical data elements.

Focus Area 3
Applying new insights into investor protection and investor education

During 2017, we made progress on investor protection and investor education, including on analyzing the use of behavioral economics concepts. First, IOSCO's Committee on Retail Investors (Committee 8) prepared a report in October 2017 that addressed the application of behavioral insights to investor education programs and initiatives. This interim report, which was published for IOSCO members only, will be finalized for public release with the collaboration of the OECD – the Organization for Economic Cooperation and Development.

Second, Committee 8 spent considerable time in 2017 on examining risks that ageing investors may face and specific strategies, policies, and resources that may address their needs. The final report was due to be published in 2018 and will provide sound practices for regulators, financial services providers, and intermediaries to mitigate the risks facing senior investors.

Third, the Committee will examine how regulators use behavioral finance concepts in their efforts to protect investors through supervisory and regulatory means. We expect to complete this work in 2018.

Finally, we also sought to advance our objective to protect investors in other ways. The IOSCO Board launched an Initial Coin Offering (ICO) Network to share experiences in the fast developing cryptocurrency area. The Board also issued a public statement warning investors of the risks and challenges associated with ICOs. We moved closer to finalizing a toolkit of policy and investor education measures with guidance related to the sale of specific OTC leveraged products – i.e., contracts for difference, binary options, and rolling spot forex contracts. Finally, the Assessment Committee is carrying out a peer review of the implementation of IOSCO suitability recommendations regarding the distribution of complex financial products.

Focus Area 4
Analyzing the role of securities markets in capital-raising and sustainability issues, and the related role of securities regulation

Early in 2017, the Infrastructure Working Group – a subgroup of the Board – examined the regulatory impediments to infrastructure financing around the globe. The CNBV of Mexico and the CMA of Kenya led this work, which involved gathering input from relevant stakeholders – regulators, institutional investors, intermediaries, and development banks. The work concluded with a final report to the Board indicating that the major impediments in this area stem from tax and insolvency questions that are outside IOSCO's purview and not from regulatory or supervisory concerns.

Also during the year, IOSCO's Committee 1 on Issuer Accounting, Audit and Disclosure began discussions about whether and how disclosure requirements on such things as green or sustainable finance could assist jurisdictions in the capital raising process. The Committee is keeping a watching brief on this issue.

Finally, the GEM Committee embarked on an initiative to determine the current state of play of sustainable finance in emerging markets. The Committee conducted a survey and will present its findings to the IOSCO Board for a discussion on next steps.

Focus Area 5
The role of regulation in financial technology and automation

To understand how financial technology is impacting the capital markets, IOSCO's Committee on Emerging Risks published a comprehensive research report on various financial technologies, including (1) alternative financing platforms, (2) retail trading and investment platforms, (3) institutional trading platforms; and (4) distributed ledger technologies or DLT. The Committee will follow up in 2018 with a second report specifically describing novel technologies developed or deployed by regulators. At the same time, IOSCO will address other pressing technology issues, including the use and effects of artificial intelligence and machine learning in regulation and oversight.

In addition to these specific workstreams, we have now made the Risk Outlook more integral to the IOSCO Board's priority-setting process. Under the new approach, the Risk Outlook will continue to scan the environment for risks and issues, and, on a yearly basis, the Board will draw on this information when discussing its policy priorities in the current five focus areas.

To support our policy and implementation monitoring activities, we have also been providing capacity building tailored to the needs of our membership. Our education and training events and the more recent technical assistance activities are meant to support building regulatory capacity in member jurisdictions, in particular those coming from growth and emerging markets.

I look forward to making significant progress on our work in 2018, and I look forward to updating you on key developments.

Activities of IOSCO's Policy Committees in the Year

The IOSCO Board reviews the regulatory issues facing international securities markets and coordinates practical policy responses to address the concerns they raise. 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 the Exchange of Information;
- > Investment Management;
- > Credit Rating Agencies;
- > Derivatives; and
- > Retail Investors

The Board also oversees the activities of the Growth and Emerging Markets (GEM) Committee. This 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 by facilitating the exchange of information, technology, and expertise.

The GEM Committee and the eight policy committees support IOSCO in pursuit of its three main objectives: to protect investors, maintain fair, efficient and transparent markets, and mitigate systemic risks.

In addition to the policy committees, several task forces were entrusted in 2017 with examining relevant developments in the financial markets. They included the following:

- > The Board-level Task Force on Financial Benchmarks
- > Task Force on Market Conduct
- > Compensation Experts Group
- > Infrastructure Working Group

Policy Committees

Committee 1 on Issuer Accounting, Audit and Disclosure

Committee Chair:
Mr. Parmod Kumar Nagpal (SEBI India)
Committee Vice Chair:
Ms. Jenifer Minke-Girard (US SEC)

The Committee 1 on Issuer Accounting, Audit and Disclosure (C1) is devoted to delivering IOSCO´s investor protection mandate by improving the development and maintenance of high-quality international accounting and auditing standards, enhancing financial reporting and audit quality, and improving the quality and transparency of the disclosure and financial information that investors receive from listed companies.

To help ensure investor access to reliable, complete, material, and timely information, Committee 1 develops international disclosure standards and principles that provide a framework for member jurisdictions seeking to establish or review their disclosure regimes for entities that issue securities.

In the field of accounting, Committee 1 also monitors the projects undertaken by the International Accounting Standards Board (IASB) of the International Financial Reporting Standards Foundation (the IFRS Foundation), which includes 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 IASB operates. Working through the IASB, its mission is to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability, and efficiency to financial reporting around the world. 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. It provides the IASB with input that reflects the perspective of securities regulators. The collaboration between IOSCO and the IFRS Foundation is underpinned by the Statement of Protocols signed by both organizations in 2013 and strengthened in 2016.

IOSCO currently chairs the Monitoring Board (MB) that oversees the IFRS Foundation. It also holds a seat in representation of the IOSCO Growth and Emerging Markets Committee. In 2017, Committee 1 submitted comments on five IASB exposure drafts.

IOSCO believes that a set of international auditing standards has an important role to play in contributing to global financial reporting and supporting investor confidence and decision making. To that end, Committee 1 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). It also participates in their respective Consultative Advisory Groups (CAGs).

Monitoring Group Consultation Paper on reform of the global audit standard-setting process

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. Currently, IOSCO acts as the secretariat to the Monitoring Group and its members.

In November 2017, the Monitoring Group issued a consultation paper titled *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest***.** The objective was to elicit stakeholder views on how best to safeguard the independence of the audit standard-setting process and increase its responsiveness to the public interest. The paper sets out various options to enhance the governance, accountability, and oversight of the international audit standard-setting process.

To complement this work, and gather a wide range of opinions, the Monitoring Board in early 2018 staged four roundtable discussions on the proposed reforms in Johannesburg, London, Washington DC, and Singapore.

During the consultation period, which ended on 9 February 2018, the MG received some 180 comment letters.

Other Activities in 2017

In early 2017, Committee 1 prepared an informational note for IOSCO Board discussion on integrated reporting, based on the findings of a stock-taking exercise of IOSCO members conducted the year before. The committee also analyzed the role of audit committees in enhancing audit quality and expected to issue a consultation report in 2018 on proposed good practices to assist audit committees in meeting that goal.

During 2017, Committee 1 also carried out surveys of its members on financial reporting surveillance to identify

areas for improvement in accounting standards that could lead to greater investor protection, particularly regarding valuation techniques.

Committee 2 on Regulation of Secondary Markets

Committee Chair:
Ms. Tracey Stern, Manager
(Ontario Securities Commission)
Committee Vice Chair:
Ms. Shamsul Bahriah Shamsudin (SC Malaysia)

Committee 2 on Regulation of Secondary Markets looks at the structure and regulation of global capital markets and financial market infrastructure, including developments in technology, trading, and trading venue oversight. Committee 2 work focuses on not only investor protection but also on issues relating to fair and efficient markets and the integrity of markets.

Bond Market Liquidity

Since publication of IOSCO's report *Transparency of Corporate Bond Markets* in 2004, various developments have affected corporate bond markets, including changes in regulation and market structure; new participants; a shift from the traditional dealer-based principal model to an agency based model; and the increasing use of new technologies. In response to these changes and expanding on the work completed in 2004, Committee 2 published two reports on corporate bond markets in 2017: a final report on secondary corporate bond market liquidity and a consultation paper on recommendations to improve transparency in these markets.

The IOSCO report *Examination of the Secondary Corporate Bond Markets*, published in March 2017, found no substantial evidence that secondary corporate bond market liquidity between 2004 and 2015 had deteriorated markedly from historic norms for non-crisis periods. The report did, however, reveal that the structure and characteristics of corporate bond markets underwent meaningful changes in this period, caused by new technology, the growth of electronic trading venues, and changes in execution models and dealer inventory levels.

The report´s findings confirmed that corporate bond markets remain fragmented among national and regional OTC markets and differ substantially across jurisdictions. The results also highlighted the lack of useful data on the trading of corporate bonds on secondary markets in different jurisdictions, largely because most bonds are traded through decentralized, dealer-intermediated OTC markets.

The report reinforced IOSCO´s conviction that regulators need access to timely, accurate, and detailed information on secondary corporate bond markets, to be able to assess changes in these markets, monitor trends, and respond accordingly. Publicly available information also supports the price discovery process and enables participants in the corporate bond markets to make more informed investment choices.

As this information is obtainable through regulatory reporting requirements and public transparency, IOSCO embarked on a project to examine issues related to regulatory reporting, transparency, and the collection and comparison of corporate bond market data across IOSCO´s membership. In August 2017, IOSCO consulted on recommendations to increase transparency and the availability of information on secondary corporate bond markets available to both regulators and the public. The consultation report *Regulatory Reporting and Public Transparency in the Secondary Corporate Bond Markets* recommends that regulatory authorities should analyze how they can enhance pre-trade transparency in corporate bond markets and implement regimes that require post-trade transparency.

One of IOSCO's core objectives is to ensure that markets are fair, efficient, and transparent. Events of extreme volatility can undermine this objective, weaken the integrity of securities markets, and lessen investor confidence. Committee 2, therefore, began a new project in 2017 to examine the steps that regulators and trading venues have taken to address extreme volatility risks in member jurisdictions and look at the lessons learned by member jurisdictions that have implemented mechanisms to mitigate the effect of extreme volatility on trading venues. Committee 2 received over 80 responses to a survey sent out in April 2017. Based on the survey results, the committee drafted a Consultation Report, which sets out eight high level recommendations that build on the recommendations in the 2011 Report *Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency.*

Committee 3 on Regulation of Market Intermediaries

Committee Chair:
Ms. Claire Kütemeier (BaFin Germany)
Committee Vice Chair:
Mr. Greg Yanco (ASIC Australia)

Committee 3 on Regulation of Market Intermediaries seeks to promote investor protection and market efficiency through its recommendations on issues related to market intermediaries. In 2017, Committee 3 continued its crucial work to identify and address the risks arising from the offer and sale of OTC leveraged products to retail clients.

Based on the findings of a survey it conducted, Committee 3 published in December 2016 a report analyzing offers of rolling spot forex contracts, contracts for differences, and binary options to retail investors. Survey respondents indicated their concern with the losses incurred by retail investors on these OTC leveraged products and expressed alarm over the aggressive online advertising, social media, expert blogs, and other cross-border marketing techniques used by many companies to attract investors. In some cross-border cases, regulators struggle to identify or track unlicensed foreign firms that may provide false addresses or use anonymous domain registrations for their websites when selling these products.

In early 2018, the committee issued a consultation report on proposed policy measures for its members to consider when addressing the risks arising from the offer and sale of OTC leveraged products to retail investors.

Committee 3 published in June 2017 a report analyzing how the incentives for order routing may influence the way intermediaries treat their clients, as part of IOSCO´s effort to protect investors, promote market liquidity and efficiency, and enhance price transparency in financial markets. The report examines the regulatory requirements for brokers or firms to manage the conflicts of interest arising from incentives, such as discounts or rebates designed to direct order flow to one particular venue or to channel payments from one intermediary to another to receive their order flow.

To prepare the report, IOSCO issued a public consultation paper in December 2016, based on the findings of a member survey on current and publicly proposed regulatory initiatives to address conduct risks associated with order routing incentives.

Finally, during 2017, Committee 3 worked on guidance to address conflicts of interest stemming from the role of intermediaries in the equity capital raising process, which it issued for public consultation in early 2018. In the report, *Conflicts of interest and associated conduct risks during the equity capital raising process*, the committee describes the main stages of the equity raising process where the role of intermediaries might give rise to conflicts of interest. The proposed guidance comprises eight measures grouped according to the various stages in the capital raising process.

The guidance seeks to help members enhance the scope and quality of timely information made available to investors during equity capital raising, improve the transparency of allocations, and increase the efficiency and integrity of the overall process.

C3 members agreed in December 2017 to commence work on outsourcing. The committee is coordinating with other policy committees that are also currently working on outsourcing/third party service providers, to investigate the synergies among the various workstreams on outsourcing. (*See Cross-Committee and Collaborative Work below*).

Committee 4 on Enforcement and Exchange of Information

Committee Chair:
Mr. Jean-Francois Fortin (Québec AMF)
Committee Vice Chair:
Ms. Jane Attwood (UK FCA)

Enforcement Cooperation

Committee 4 on Enforcement and Exchange of Information continued in 2017 to work with the MMoU

Screening Group to encourage global cooperation on enforcement among IOSCO members 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. IOSCO believes that cooperation among regulators on enforcement is essential to sustain effective global regulation and robust securities markets around the globe.

In March 2017, IOSCO launched the Enhanced MMoU (EMMoU) which provides for additional enforcement powers that IOSCO believes are necessary for continuing to safeguard the integrity and stability of markets, protect investors, and deter misconduct and fraud. *(For more information on the MMoU and the EMMoU, please see MMoU/EMMoU Screening Group in the chapter on Implementation and the MMOU).*

Prohibitions, disqualifications, and limitations based on foreign sanctions

Committee 4 completed in June 2017 its mandate on prohibitions, disqualifications, and limitations based on foreign sanctions. For this work, Committee 4 examined the capacity of a jurisdiction to take into account the measures of another jurisdiction when imposing a protective sanction to prevent misconduct in both markets. Committee 4 undertook this project due to the increasingly cross border nature of its enforcement work, as reflected in a steady increase in the number of assistance requests made each year under the MMoU.

The objective of the mandate was to encourage members to work more closely together to deter, detect, and react through enforcement actions to breaches of securities laws that span multiple jurisdictions. IOSCO distributed the final analysis paper among members in June 2017.

A review of regulatory enforcement risks arising from the use of Cloud technology

Committee 4 also finalized in June 2017 its mandate aimed at identifying the potential risks that cloud computing poses to securities regulators. The work was conducted as market participants increasingly shift computing resources to the cloud environment, creating new risks and challenges for securities regulators undertaking investigations and regulatory surveillance for enforcement purposes. One fear is that market participants may seek to circumvent regulatory oversight by moving their activity to the cloud. Securities regulators also worry that legal or other constraints may block them from retrieving cloud-based evidence.

To complete its work, Committee 4 circulated among IOSCO members an overview of regulatory enforcement risks arising from the use of cloud technology.

Securities regulators´ powers to compel witness statements and obtain voluntary statements.

The IOSCO Board approved in August 2017 a Committee 4 report that describes the abilities of different jurisdictions to compel witness statements and obtain voluntary statements on behalf of a foreign securities regulator. These statements are critical to the regulatory investigations of IOSCO members; they can corroborate known details, point to new leads, and confirm the reliability of information, thereby bolstering international efforts to combat illegal activity in financial markets.

Based on the report, Committee 4 developed a Resource for IOSCO members that compiles information on the powers of different jurisdictions to compel witness statements and voluntary statements for foreign securities regulators.

Committee 5 on Investment Management

Chair:
Mr. Robert Taylor (UK FCA)
Committee Vice Chair:
Ms. Natasha Cazenave (France AMF)

Work on Structural Vulnerabilities in Asset Management Activities

The work of IOSCO´s Committee 5 on Investment Management focused in 2017 in large part on identifying risks associated with market liquidity and other potential sources of vulnerability in asset management activities that could impact financial stability, such as leverage. Committee 5 conducted its work through three sub-working groups (SWG) to take forward the recommendations in the Financial Stability Board report, *Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities*, published in January 2017.

This work forms part of IOSCO´s on-going effort to build a robust, sustainable system of market-based finance. The following subgroups conducted the work:

SWG1- Data Gaps

The purpose of SWG1 is to take stock of the data currently available to regulators and identify where it could be improved to help regulators monitor the risks

across the asset management industry more effectively. An SWG1 working group was seeking in 2018 to develop consistent measures of leverage in collective investment funds.

SWG2- Liquidity Management

In July 2017, Committee 5 issued recommendations for public consultation that seek to improve liquidity risk management practices of open-ended collective investment schemes (CIS). The recommendations reflect IOSCO´s belief that the best defense against structural vulnerabilities is for responsible entities to implement robust liquidity risk management programs. Simultaneously, Committee 5 published a report that provides practical information, examples, and good practices regarding open-ended fund liquidity risk management, to supplement its recommendations. The final recommendations and good practices for liquidity risk management were published in early 2018.

SWG3- Loan Funds

IOSCO published the report *Findings of the Survey on Loan Funds* in February 2017, which describes how the market for Loan Funds has evolved in different jurisdictions and how regulators are addressing the risks associated with these funds. Although Loan Funds represent a relatively small share of the global fund industry, they are becoming increasingly important as a niche product for financing the real economy.

Other Work

As part of IOSCO´s investor protection work, Committee 5 published in November 2017 good practices on the voluntary termination of investment funds. The decision to terminate an investment fund can have a significant impact on investors, including their ability to withdraw their funds promptly. These good practices apply to voluntary terminations because national legislation in most jurisdictions addresses involuntary terminations, such as those caused by insolvency.

In 2017, Committee 5 also published the *Report on the Fourth IOSCO Hedge Fund Survey*, which provides an overview of the hedge fund industry based on data as of 30 September 2016. Given the lack of public and global data on hedge fund activities, IOSCO´s biennial survey has become an important resource for regulators, enabling them to observe trends in trading activities, leverage, liquidity management, markets, and funding in the global hedge fund sector. Since C5 conducted the first survey in 2010, data collection has expanded due to enhanced regulatory reporting regimes in some jurisdictions and fewer legal constraints around the use and sharing of data.

Committee 6 on Credit Rating Agencies

Committee Chair:
Ms. Rita Bolger (US SEC)
Committee Vice Chair:
Ms. Maya Marinov-Shiffer (ISA Israel)

In October 2017, Committee 6 on Credit Rating Agencies published its final report on *Other CRA Products*, which provides market participants with a better understanding of non-traditional products and services offered by credit rating agencies (CRAs), such as private ratings, bond indexes, and portfolio assessment tools. Although these products and services are distinct from commonly identified issuer-paid or subscriber-paid traditional credit ratings, they may be used by market participants to make investment and other credit-related decisions.

Committee 6 concludes that these products and services should be responsive to the spirit of the four high-level objectives outlined in the *IOSCO Principles Regarding the Activities of Credit Rating Agencies*. The objectives relate to the quality and integrity of the rating process, independence and conflicts of interest, transparency and timeliness of ratings disclosure, and confidential information.

In 2017, the committee also began work on outsourcing and cloud computing. The purpose of this work is to obtain a better understanding of how outsourcing integrates with cloud computing, and how CRAs use outsourcing and cloud computing and incorporate them in their organizational strategies and structures.

Committee 7 on Derivatives

Committee Chair:
Mr. Eric Pan (US CFTC)
Committee Vice Chair:
Mr. Paul Willis (UK FCA)

Committee 7 focuses on developments in derivatives markets. It was created through the merger of the former Committee 7 on Commodity Derivatives Markets with the Task Force on OTC Derivatives (OTCD Task Force) following the completion of the work of the OTCD Task Force on ISDA Credit Derivatives Determinations Committees and CDS auction processes in October 2017. Following the merger, Committee 7 brings together expertise in both derivatives markets and commodity derivatives markets.

In the year, Committee 7 conducted follow-up work to its 2016 report on *The Impact of Storage and Delivery Infrastructure on Commodity Derivatives Market Pricing*. The 2016 report concluded that the *IOSCO Principles for the Regulation and Supervision of Commodity Derivatives Markets* provided an adequate framework for implementing effective oversight, governance, and operational controls of storage facilities, and no additional principles were required. However, the report did identify practices that, if not addressed, could affect derivatives pricing and efficient market operation. The 2017 follow-up work seeks to lend certainty, consistency, and transparency to the operation and, where applicable, to the oversight of storage and delivery infrastructures.

In October, the then OTCD Task Force issued a Public Statement after completing its work on ISDA Credit Derivatives Determinations Committees and CDS auction processes. The statement summarized the general conclusions of the OTCD Task Force´s research and highlighted the need to promote transparency, while creating an incentive for the DC Secretary and the Auction Administrators to improve their processes, governance, and transparency. The OTCD Task Force also noted that further work may be warranted to monitor recent changes to the ISDA Determinations Committee and CDS auction processes and to consider any additional matters identified by IOSCO.

Committee 8 on Retail Investors

Committee Chair:
Mr. José Alexandre Vasco (CVM Brazil)
Committee Vice Chair:
Mr. Pasquale Munafó (CONSOB Italy)

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, and a secondary mandate to advise the IOSCO Board on emerging retail investor protection matters and to conduct investor protection policy work as directed by the Board.

Policy Work:

Committee 8 made progress on two key projects in 2017: its work on senior investor vulnerability and the application of behavioral insights to investor programs and initiatives.

For the first project, Committee 8 examined the growing vulnerability of aging investors to financial fraud and other risks and identified sound practices for enhancing their protection.

The Committee also highlighted that seniors are at a higher risk than other investors of losing money to fraud

or of being misled by others. It found that the biggest risks to senior investors are unsuitable investments, financial fraud, and their diminished cognitive capability which affects their financial decision-making. Complex products, deficient financial literacy, and social isolation pose additional risks to senior investors.

Committee 8´s work on the second project on behavioral insights drew, in part, on the results of two surveys of the members of both IOSCO and the Organization for Economic Co-operation and Development International Network on Financial Education (OECD/INFE). The surveys sought to discover the extent to which behavioral insights are used to guide financial literacy and investor education policies and practice.

IOSCO was to issue reports with the results of both workstreams in 2018.

World Investor Week

IOSCO held its first World Investor Week in October 2017. Coordinated by Committee 8, the event served to raise awareness worldwide about the importance of investor education and protection. Securities regulators and other stakeholders from more than 80 countries from across the globe took part in this event-- each one with an array of activities designed to raise awareness. Given the success of the initiative, IOSCO will stage the second World Investor Week in October 2018.

Cross-Committee and Collaborative Work

A growing body of IOSCO work spans various policy committees, as regulators find it increasingly useful to examine pressing issues from different market perspectives. Work on such issues as Initial Coin Offerings and cryptocurrencies, cyber-resilience, third-party suppliers, and investor protection require the collaboration of different Board committees to give a fuller picture of the risks and challenges that regulators, investors, and other market participants face in a rapidly changing financial landscape.

Retail OTC Leveraged Products

The report by Committee 3 on Regulation of Market Intermediaries on the offer and sale of retail OTC leveraged products (see the section on Committee 3 above) led to further work in this area in 2017. Issued in December 2016, the Committee 3 report described misconduct by licensed and unlicensed firms offering these products on a cross-border, predominantly online basis, raising deep concerns about the impact on retail investor protection.

In response, the Board approved in June 2017 three complementary workstreams on retail OTC leveraged products that involved the participation of four IOSCO policy committees.

> development of a toolkit of policy measures with guidance for the relevant products (led by Committee 3);
> development of a toolkit of investor education material with guidance about the relevant products (led by Committee 8 on Retail Investors); and
> creation of a working group led to explore issues and challenges raised by unlicensed retail business in these products (led by Committee 4 on Enforcement and Cooperation).

This work also included the collaboration of Committee 7 on Derivatives.

Initial Coin Offerings

At its meeting in October 2017, the IOSCO Board discussed the risks arising from the growing use of Initial Coin Offerings (ICOs) to raise capital, which raised investor protection and other concerns. Following the meeting, IOSCO issued a statement to its members regarding the risks of ICOs and describing various approaches that members and other regulatory bodies have adopted to deal with these offerings. This statement was followed by a public press release alerting investors and others to the risks associated with ICOs and listing similar alerts issued by IOSCO members.

The IOSCO Board established in September 2017 an ICO Consultation Network through which members exchange information, discuss their experiences with monitoring and regulating ICOs, virtual tokens, and virtual token exchanges, air their concerns over cross-

border issues and diverse aspects of these offerings, and discuss other developments in this area.

Data Analysis Group

In October 2017, IOSCO established a Data Analytics Group to allow members to share information and ideas about using technical advances in the area of data analytics to enhance their regulatory and supervisory work. Since then, the data analytics group has held conference calls in which members present on the use of data analytics in their organizations, and share news on the latest advances in the field of applying data analytics to regulatory and supervisory work.

Outsourcing and Third-party Suppliers

Market participants, trading venues, and market infrastructures have long relied on suppliers to carry out or support their regulated businesses. Given the growing importance of these providers, four IOSCO policy committees began work in 2017 on a project on outsourcing and third-party suppliers in financial markets, each one in a different area, including post-trade, secondary markets, market intermediaries, and credit rating agencies, while coordinating with each other.

The project seeks to identify the risks and regulatory issues around outsourcing of products, services, and critical systems.

Task Forces

Board Level Task Force on Financial Benchmarks

Task Force Chair:
Mr. Edwin Schooling Latter (UK FCA)

In 2017 IOSCO drafted a statement, published on 5 January 2018, that sets out matters for users of financial benchmarks to consider in selecting an appropriate benchmark and in contingency planning, particularly for scenarios in which a benchmark is no longer available.

The objective of the statement is to raise awareness of how the proper selection and use of benchmarks contribute to embedding sound benchmark practices in the financial system.

IOSCO established a Board-level Task Force in September 2012 to identify and consider benchmark-related issues, following a series of investigations into attempted manipulation of financial benchmarks.

In response to the problems affecting major interbank lending rates, the IOSCO Task Force published in July 2013 the *Principles for Financial Benchmarks* (Principles). The aim was to create 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 Principles are a set of recommended practices that should be implemented by benchmark administrators and submitters. They were endorsed by the G20 Leaders at their St Petersburg Summit in 2013 as global standards for financial benchmarks and continue to serve as guidance to jurisdictions globally.

Task Force on Market Conduct

Task Force Chair:
Mr. Ashley Alder (Hong Kong SFC)
Task Force Vice Chair:
Mr. Nick Miller (UK FCA)

The *IOSCO Task Force on Market Conduct* published a report in June 2017 describing the tools and approaches that IOSCO members use to discourage, identify, prevent, and sanction misconduct. The work was based on the belief that misconduct by individuals can undermine investor trust and confidence and the fair and efficient operation of wholesale markets, which are an important source of finance for companies and economic growth.

The IOSCO Task Force Report on Wholesale Market Conduct explains how market regulators seek to minimize misconduct risk arising from particular characteristics of wholesale markets, such as a decentralized market structure, opacity, conflicts of interest involving market makers, size and organizational complexity of market participants, and increasing automation.

Relevant tools to address this risk include tailored enforcement and remedial sanctions, such as orders to participate in market structural reforms or agreed remediation and other undertakings; surveillance and data analysis to detect suspicious trades; and the protection of whistle-blowers.

Some tools are designed to facilitate the sharing of information to track so-called bad apples -- individuals with poor conduct records who frequently move from one company to another. Others seek to ensure individual responsibility and accountability, such as liability or clear allocation and mapping of senior management´s responsibilities, and address increased automation, such as regulation of high frequency trading and direct electronic access.

Compensation Experts Group

Chair:
Mr. Paul Andrews (IOSCO Secretary General)

At its meeting in Lima in May 2016, the IOSCO Board approved the creation of a small group on compensation in the securities sector comprised of members from various policy committees. The objective of the Compensation Experts Group (CEG) was to complement the work of the Task Force on Market Conduct, created in 2015, and analyze compensation-related issues from a securities markets perspective.

After conducting a survey and hosting an industry roundtable jointly with the Financial Stability Board (FSB) on compensation practices, the CEG contributed its findings to the Fifth FSB Progress Report on Compensation. The progress report was submitted to the G20 ahead of its summit in July 2017. IOSCO published a summary of the key takeaways from the roundtable in April 2017.

Infrastructure Working Group (IWG)

Task Force Chair:
Mr. Paul Muthaura (CMA Kenya)

The Infrastructure Working Group (IWG), created in 2015, organized a roundtable on 10 January 2017 in Madrid to gather feedback from industry and multilateral development banks on aspects of capital market regulation that could be improved to enhance infrastructure finance.

The roundtable findings indicated that securities regulation can play an enabling role for market-based infrastructure financing but only when critical pre-conditions are met. While securities regulators have little influence over these factors, they could work in collaboration with governments and other stakeholders able to introduce tax and other incentives to encourage market-based infrastructure finance. From a regulatory perspective, the IWG identified the need for a stable regulatory framework promoting disclosure and transparency.

Inter-Agency Work

IOSCO work with the Bank for International Settlements

BCBS-IOSCO Working Group on Margining Requirements

In 2011, the G20 Leaders called upon the BCBS and IOSCO to develop consistent global standards for margin requirements for non-centrally cleared derivatives, as part of the global financial reform agenda. 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 the Working Group on Margin Requirements (WGMR) to continue monitoring progress in implementation to ensure consistent implementation across products, jurisdictions, and market participants. At the end of 2015 and in early 2017, the WGMR submitted a progress report on implementation based on its monitoring work during 2015 and 2016.

Task Force on Securitization Markets - Cross Sectorial Task Force with the BCBS

IOSCO and the BCBS established the Task Force on Securitization Markets in April 2014 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 in 2017 continued its efforts to engage with market participants and encourage industry initiatives relating to the standardization of documentation. WS 1, a Task Force working group led by the BCBS, analyzed the relevance of existing simple, transparent and comparable (STC) criteria for the end-investors of short term securitization. IOSCO conducted a public consultation on the draft criteria between July and October 2017.

The Committee on Payments and Market Infrastructures (CPMI)

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,

central securities depositories, securities settlement systems, and payment systems, 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.

Policy work on CCP risk

In 2015, the BCBS, the CPMI, the FSB, and IOSCO agreed on a joint CCP workplan to coordinate their respective international policy work aimed at enhancing the resilience, recovery planning, and resolvability of CCPs, and to work in close collaboration.

CCP resilience

> A number of substantive priorities with respect to CCP resilience were identified. These priorities included reviewing existing stress testing policies and practices of CCPs and considering the need for, and developing as appropriate, a framework for consistent and comparable stress tests of the adequacy of CCPs' financial resources (including capital) and liquidity arrangements. This framework could involve supervisory stress tests.

> CPMI-IOSCO Policy Standing Group (PSG) serves as the primary forum for this work, regularly interacting with the FSB Standing Committee on Supervisory and Regulatory Cooperation. To the extent that certain relevant activities were already initiated before the workplan was agreed, the respective focus was adjusted to fully capture the issues identified in the CCP workplan.

CCP recovery planning.

> The PFMI requires all systemically important FMIs to have a comprehensive and effective recovery plan as the disorderly failure of such an FMI could lead to severe systemic disruptions.

> The workplan includes two substantive priorities with respect to CCP recovery planning, and the PSG is serving as the primary forum for this work, acting in close cooperation with the FSB Resolution Steering Group (ReSG). First, a stock-take of existing CCP recovery mechanisms, including loss allocation tools, was conducted and was used to compare recovery mechanisms across CCPs. Second, CPMI-IOSCO considered the need for more granular standards or guidance

for CCP recovery planning, taking into account the implementation of the requirements for recovery planning in the CPMI-IOSCO PFMI and the complementing guidance on the recovery of FMIs.

A CPMI-IOSCO consultative report on CCP resilience and recovery was published on 16 August 2016. Based on the results of the public consultation, CPMI-IOSCO published in July 2017 a final report on resilience of CCPs and a revised report on recovery of CCPs. The report on resilience provides more granular guidance on several key aspects of the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI), to further improve the resilience of CCPs, with respect to governance, credit and liquidity stress testing, coverage of financial resources, margin, and a CCP's contributions of its financial resources to losses. CPMI-IOSCO also published in July 2017 a revised report on recovery of FMIs which provides additional clarification in four areas: (i) operationalization of the recovery plan; (ii) replenishment; (iii) non-default losses and (iv) transparency with respect to recovery tools and how they would be applied.

The PSG also provided a list of CCPs that are systemically important in more than one jurisdiction for the purpose of establishing Crisis Management Groups (CMGs) for resolution purposes.

In addition to the further guidance on internal stress tests for CCPs, CPMI-IOSCO have engaged in work on a framework for supervisory stress testing (SST) of CCPs to assess the collective response of a set of CCPs to the same stress event. A draft SST framework was published for consultation in June 2017.

Other CPMI-IOSCO Work

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 for data 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 and 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.

The work of the Harmonization Group is making good progress. To fulfill the mandate, the Harmonization Group launched several public consultations in 2015 and 2016:

> A public consultation on the UTI was issued on 19 August 2015, and was followed by the publication in February 2017 of a final report providing guidance to authorities for setting rules on assigning uniform UTIs.

> A public consultation on harmonization of a first batch of 14 key data elements other than UTI and UPI was published on 2 September 2015. CPMI-IOSCO issued a second public consultation report in 19 October 2016 on a second batch of critical OTC data elements.

> On 17 December 2015, CPMI-IOSCO published a public consultation on the harmonization of the UPI, whose purpose is to uniquely identify OTC derivatives products. It was followed by a second consultation report in August 2016, which set forth proposals on the format of the UPI code and the content and granularity of the UPI data elements that describe the product in a corresponding reference data base.

Cyber resilience in FMIs:

A CPMI-IOSCO Working Group on Cyber Resilience in FMIs (WGCR) 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.

On 24 November 2015, CPMI-IOSCO published a consultative report *Guidance on cyber resilience for financial market infrastructures* (Guidance) for a three month consultation period. The Guidance was published in June 2016. The Guidance aims to add momentum and international consistency to the industry's ongoing efforts to enhance FMIs' ability to pre-empt cyber-attacks, respond rapidly and effectively to them, and achieve faster and safer target recovery objectives.

The Guidance represents the first set of internationally agreed principles in the field of financial markets to support oversight and supervision in the area of cyber resilience.

More recently, the WGCR has been looking at mechanisms to engender greater collaboration between regulators and overseers, and improve information sharing relating to cyber resilience. The WGCR has also been exploring mechanisms to foster implementation of the Cyber Guidance and to encourage greater collaboration and coordination among FMIs and their stakeholders in the area of cyber-resilience.

CPMI-IOSCO Working Group on Digital Innovations

The working group's purpose is to identify and assess the implications of blockchain, distributed ledgers, and related technologies for clearing and settlement arrangements, with particular regard to the technical and infrastructure aspects (such as security, scalability and efficiency) of emerging business models, products, and services based on these technologies.

The group intends to build on previous work conducted by CPMI-IOSCO and its members in the area of digital innovations.

Clearing deliverable FX instruments:

The clearing of deliverable FX instruments is special from a liquidity management perspective as it involves the simultaneous settlement of obligations in more than one currency. On 5 February 2016, CPMI and IOSCO issued the statement *Clearing of deliverable FX instruments* which is on the clearing of deliverable FX instruments by CCPs. This statement clarifies the expectations of CPMI and IOSCO – as originally set out in the PFMI – with respect to CCP clearing of deliverable FX instruments and the associated models for effecting their settlement.

Implementation Monitoring:

The CPMI-IOSCO Implementation Monitoring Standing Group continued in 2017 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 to have all standardized OTC derivatives centrally cleared and all OTC derivative contracts reported to trade repositories.

Reviews are being carried out in three stages:

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. Following the initial Level 1 assessment (a report published in August 2013), three updates were conducted over the period 2014-2016 (with the respective reports being published in May 2014, June 2015, and June 2016). The fourth update was conducted in 2017 and the related report *Fourth update to Level 1 assessment report* was published in July 2017.

Overall, the fourth update to the Level 1 assessment shows that participating jurisdictions have continued to make progress since the previous (third) update in completing the process of adopting legislation, regulations, and/or policies that will enable them to implement the PFMI. In particular, 20 of the 28 jurisdictions have now achieved the highest rating, "4", for all FMI types, with one jurisdiction upgraded to rating "4" for all FMI types since the last update.

A fifth update to the Level 1 assessment is planned to take place in 2018.

In parallel with the Level 1 assessments, CPMI and IOSCO are also conducting the *Level 2 assessments*. 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.

The first round of these assessments focused on CCPs and trade repositories in the EU, Japan, and the US. The associated reports were published in February 2015. The second round of Level 2 assessments covered all FMI types in Australia, and the report was published in December 2015.

Following this, the Level 2 assessments focusing on all FMI types in Hong Kong and Singapore (as of 15 July 2016) commenced in June 2016 and the related reports were published in May and July 2017, respectively.

In August 2017, Level 2 assessments covering all FMI types in Canada and Switzerland were launched. The respective reports were expected to be published in the first half of 2018. Other jurisdictions will be assessed at Level 2 over time.

Level 3 (Principles) assessments are peer reviews to examine the consistency in the outcomes arising from the implementation of the Principles. Level 3 assessments are thematic in nature. The output from the Level 3 assessments are narrative-based reports that draw out key issues related to the consistency of FMIs' outcomes with the Principles, noting any variations in outcomes across FMIs in various

jurisdictions. The first Level 3 assessment on the financial risk management and recovery practices of 10 derivatives CCPs started in July 2015 and a report, *Implementation monitoring of PFMI: Level 3 assessment – Report on the financial risk management and recovery practices of 10 derivatives CCPs*, was published on 16 August 2016. This assessment looked at the implementation of the PFMI, as they relate to financial risk management and recovery practices (i.e., the procedures to follow in case a member defaults).

The report reviewed measures in place at the 10 derivatives CCPs and found CCPs have made important and meaningful progress in implementing arrangements consistent with the standards. Some gaps and shortcomings were nevertheless identified, notably in the areas of recovery planning and credit and liquidity risk management.

In 2017, a follow up targeted review of CCPs' progress in addressing the most serious issues of concern identified in the initial Level 3 report was launched, focusing in the areas of recovery planning, coverage of financial resources, and liquidity stress testing. Moreover, the follow up review covers a wider range of CCPs and product classes than the initial Level 3 assessment: 19 CCPs that provide clearing services to a broad range of product classes, such as clearing services provided in the repo, bond and equity markets, and the derivatives markets. These include a mix of globally active and regionally focused CCPs and span 17 jurisdictions. The CPMI-IOSCO Implementation Monitoring Standing Group will continue with this assessment in 2017 and expects to publish a report in the first half of 2018.

Other Level 3 assessments covering additional themes are expected to be launched over time.

Joint work by BCBS, CPMI, FSB, and IOSCO

Study Group on Central Clearing Interdependencies (SGCCI)

A joint BCBS, CPMI, FSB, and IOSCO study group was established in July 2015 to identify, quantify, and analyze interdependencies between CCPs and major financial institutions and any resulting systemic implications. The primary focus of the group is on interdependencies that may have implications for global financial stability.

Interdependencies could include, for instance:

> financial obligations of clearing members, such as default fund contributions, initial and variation margins, assessment rights, etc.

> financial interdependencies with other financial institutions, which can be clearing members, stakeholders, such as investment counterparties, liquidity providers, and deposit banks; and

> operational interdependencies, such as links with investment counterparties, custodians, settlement agents, etc.

Interdependencies explored include those that pose risks to CCPs and/or to participants or other stakeholders. Once these key interconnections have been mapped, the potential for contagion effects within this landscape may be explored.

A data collection exercise took place in 2016 and a report was published in July 2017. An additional and more streamlined data collection took place in 2017 in an attempt to quantify changes in central clearing interdependencies. This extension of the SGCCI's work may support authorities' understanding of the dynamics of central clearing interdependencies.

Derivatives Assessment Team (DAT) – incentives to centrally clear OTC derivatives

Convened by the OTC Derivatives Coordination Group (comprising the Chairs of the FSB, BCBS, CPMI, IOSCO, and the OTC Derivatives Regulators Group), staff members of the FSB, BCBS, CPMI, and IOSCO are undertaking an updated evaluation of the impact of the interaction of reforms on incentives to clear OTC derivatives centrally (DAT study). The work began in July 2017 and is to be finalized by the Argentine G20 Leaders' Summit in late 2018. A previous study was published in 2014.

In particular, the DAT study seeks to deliver a comprehensive assessment of whether the reforms are incentivizing central clearing consistently with the G20 reform objectives across different asset classes/product types and for various classes of counterparties. Findings will help inform further consideration by the FSB and the relevant standard-setting bodies of possible policy responses or further studies. In addition, the BCBS is reviewing the impact of the Basel III leverage ratio on the provision of bank clearing services and any resultant impact on the resilience of central clearing.

To support their work, the DAT and BCBS in late 2017 conducted qualitative surveys of different participants in central clearing on the effects of G20 reforms on derivatives markets and other market structure issues.

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

Mr. Paul Murithi Muthaura
> Chair of the Africa/Middle-East Regional Committee
> Chief Executive, Capital Markets Authority, Kenya

Two key focus areas of the Africa/Middle-East Regional Committee (AMERC) in 2017 were to identify comparative lessons on promoting new listings on the region´s stock exchanges and the continued enhancement of the regulatory capacity of its members. During the year, AMERC also provided a regional perspective to IOSCO work in such areas as market resilience and development, data management and the exchange of information, investor protection, and financial innovation.

In May 2017, AMERC created a working group to examine the impediments to new stock market listings in the AMERC region and to draw on the experience of IOSCO members in tackling this challenge. The new group also discussed efforts to streamline current regulatory requirements to facilitate new listings. This work forms part of AMERC´s quest to build the region´s capital markets into a leading source of corporate funding and a driver of economic growth in member jurisdictions.

In February, AMERC staged its annual conference in Abu Dhabi on *The Role of Financial Markets in Building an Economy based on Knowledge, Innovation and Happiness.* The Annual Conference featured the Minister of Economy, HE Sultan bin Saeed Al Mansouri, as a speaker and held three panels on education and scientific research, global market trends in innovation and the role of Fintech, and the knowledge economy.

At the AMERC meeting in February, the IOSCO Secretary General described the organization´s policy priorities for the year, which included examining the role of financial technology and automation, enhancing investor education and protection, and analyzing capital formation and sustainability issues.

The Moroccan Capital Market Authority (AMMC) also presented the results of the 22nd Conference of the Parties (COP22) held in November 2016 in Marrakesh, where participants launched the Marrakech Pledge to promote green finance in the region. Comprised of 19 African capital market regulators and stock exchanges from 23 African nations, the Marrakesh Pledge is a commitment by its members to promote sustainable development and foster green capital markets in Africa. In Abu Dhabi, the AMMC invited African jurisdictions that were not already members to join this initiative.

In May 2017, AMERC held its meeting in Jamaica on the sidelines of the IOSCO Annual Conference, where it discussed IOSCO projects to expand capacity building for members, particularly from emerging and growth markets. In this context, the CMA Kenya was pleased in November 2017 to host Phase 1 of the Regional Technical Assistance Program on Inspection Manuals which targeted seven regional members and had representatives from five jurisdictions. The TA program was facilitated by the IOSCO General Secretariat and Mr. Greg Tanzer, a former Secretary General of IOSCO and ASIC Commissioner. Noting the positive progress made during the program, non-attendee jurisdictions made a fresh commitment to leverage the lessons learned from the development of a skeleton inspection manual for domestic use during Phase 2.

In both of its meetings in 2017, AMERC discussed with members of the IOSCO Board and the Secretariat ways to increase its contribution to the organization´s priority work. It also analyzed emerging risks in member jurisdictions arising from the growth of Ponzi schemes, online investments, and the lack of surveillance capability among many of the region´s regulators.

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

Mr. Jun Mizuguchi
> Chair of the Asia-Pacific Regional Committee
> Deputy Commissioner for International Affairs, Financial Services Agency, Japan

The Asia-Pacific Regional Committee is an important forum for promoting cooperation among regulators in the Asia-Pacific region. The committee also serves as a platform for APRC regulators to engage with their counterparts in other parts of the world, helping to break down barriers to financial integration on a global scale.

APRC members met twice in the year to consider issues that are increasingly relevant to regulators in both the region and worldwide, such as sustainability and green finance, financial technology, cyber resilience, and regulatory developments in Europe and the United States.

By working through the APRC, the region´s securities markets regulators contribute more effectively to IOSCO policy work. In 2017, committee members met to discuss IOSCO policy initiatives and implementation of the G20 financial reform efforts and to stay abreast of the latest developments affecting global capital market stability and resiliency.

At their meeting during IOSCO´s annual conference in May, APRC members exchanged views on the emerging risks in the region and their potential impact on financial stability. The IOSCO Secretariat updated the APRC on the prioritization of IOSCO workstreams and other financial developments, IOSCO Standards Implementation Monitoring, and data privacy issues arising from the 2018 European Data Protection Regulation.

At its meetings in Colombo in September 2017, the APRC focused on the effective supervision of harmful but legal conduct, the common enforcement challenges for the region, the impact of European Union regulations on Asia-Pacific markets, and possible capacity building initiatives in the region, following the launch of the IOSCO Capacity Building Hub in Kuala Lumpur earlier in the year.

The meeting was preceded by the IOSCO APRC Supervisory and Enforcement Meeting and followed by the annual meeting of the IOSCO Growth and Emerging Market Committee. The Securities and Exchange Commission of Sri Lanka hosted all three events.

The APRC participated in the second EU-Asia Pacific Forum on Financial Regulation in Hong Kong in December 2017—an event that has proven to be a valuable platform for cooperation and information exchange on cross-border issues between banking and securities market regulators from the two regions.

The EU delegation was led by Mr. Valdis Dombrovskis, Vice President for Financial Stability, Financial Services, and Capital Markets Union of the European Commission, and Ms. Verena Ross, Executive Director of the European Securities and Markets Authority (ESMA). IOSCO Chair Ashley Alder and I represented IOSCO and the APRC, respectively.

Participants exchanged views on asset management and funds passporting, developments in sustainable finance and Fintech. They also deliberated on many of the issues that APRC members discussed at their meetings throughout the year, including MiFID II and EU benchmark reform.


IOSCO Asia Pacific Regional Committee Meeting
18-19 September 2017
Colombo, Sri Lanka
APRC Plenary Meeting
IOSCO
IOSCO Secretary General
IOSCO General Secretariat


NEPAL
(SBN)

Report by the Chairman of the European Regional Committee (ERC)

Mr. Jean-Paul Servais
> Chair of the European Regional Committee
> Chairman of Belgium's Financial Services and Markets Authority (FSMA)

Throughout the year, the European Regional Committee (ERC) served as a forum for IOSCO´s European members to share their views on regional developments and IOSCO related matters.

As the largest regional committee in IOSCO, the ERC gave voice within the organization to European views on a range of global issues, including developments in the growing asset management industry and concerns over retail OTC leveraged products, particularly those sold cross-border and by unregulated entities.

During its three meetings in 2017 in Paris, Montego Bay (Jamaica), and Vienna, the ERC also engaged with the General Secretariat on IOSCO Board policy priorities, the launch of the IOSCO Standards Implementation Monitoring Program, and the introduction of the Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (E-MMoU).

In 2017, all but four of the 50 ERC members were signatories to the original MMoU, the instrument used by securities regulators to share information and combat cross-border fraud and misconduct. The four remaining members were listed on Appendix B, the list of IOSCO members who lack the legal authority to comply fully with the MMoU provisions but are committed to becoming signatories.

Moreover, three European members applied to become among the first signatories of the EMMoU, which provides for additional enforcement powers that IOSCO believes are necessary for enhancing the effectiveness of information sharing.

During the year, ERC members also discussed IOSCO´s work related to structural vulnerabilities from asset management activities, the regulatory issues around Initial Coin Offerings (ICOs), and the latest developments in financial technologies and innovation. Members shared their experiences operating regulatory sandboxes and innovation hubs and addressing the potential risks of technological innovation without stifling its potential benefits. Members exchanged views as well on national approaches to investor education and welcomed IOSCO's initiative to coordinate the World Investor Week.

The ERC maintained a fluid dialogue with the European Securities and Markets Authority (ESMA, an ERC associate member and Board observer) throughout the year and received regular updates on ESMA´s latest work on the benchmark regulation, asset management, Markets in Financial Instruments Directive or MiFID II, and the European Market Infrastructure Regulation (EMIR). The EU Commission, which is an IOSCO associate member, updated the ERC on the Capital Markets Union (CMU) initiative, which comprises several projects aimed at further integrating EU capital markets. Members also discussed the introduction of the General Data Protection Regulation or GDPR in May 2018 and its interaction with the cooperation among the signatories of the IOSCO MMoU.


OICU-IOSCO
IOSCO ERC MEETING
Montego Bay, Jamaica
14 May 2017
VICE-CHAIRMAN
BELGIUM
(FSMA)
CHAIRMAN

Report by the Chairman of the Inter-American Regional Committee (IARC)

Mr. Marcos Ayerra
> Chair of the Inter-American Regional Committee
> Chairman, Comisión Nacional de Valores, Argentina

The Inter-American Regional Committee (IARC) met twice in 2017 to discuss relevant issues for the region´s securities regulators and supervisors.

The committee provided a platform for members to exchange ideas on IOSCO policy initiatives and to share their experiences with new technologies, cyber issues, and market development, among other things. Market-based financing, emerging risks in the region, and the integration of financial markets in Latin America were among the key topics and concerns discussed.

At its May meeting in Jamaica, IARC engaged with members of the IOSCO General Secretariat on the launch of the Enhanced Multilateral Memorandum of Understanding on cooperation and the exchange of information (EMMoU), and the requirements for IOSCO members to become signatories to this new enhanced standard for cross-border enforcement cooperation. Three IARC members submitted their applications in 2017 to become signatories to the EMMoU.

During the IOSCO Annual Conference in May, the Superintendencia de Mercado de Valores de Panama became the 20th IARC member to sign the MMoU--the predecessor to the Enhanced MMoU--out of a total of 28 members. By the end of 2017, five IARC members were listed under Appendix B of the MMoU, the list of members who lack the legal authority to comply fully with the MMoU provisions but are committed to becoming signatories. Two associate members from the region also applied to become signatories in 2017.

At the Jamaica meeting, the Vice Chair of the IOSCO Assessment Committee (AC) updated IARC members on the launch of the IOSCO Standards Implementation Monitoring (ISIM) project. The objectives of the ISIM are to monitor the implementation of the IOSCO Principles for Secondary Markets, to identify gaps and good practices in their implementation, and to identify areas where future policy work may be required.

The AC Vice Chair encouraged IARC members to participate in the ISIM. This program enables members to access the implementation of IOSCO principles for secondary markets in each jurisdiction and lay down a path for improvement. Strengthening our capital markets is an IARC goal, as our markets become an increasingly important source of funding for companies, particularly small and mid-sized enterprises.

Members also discussed the biggest challenges facing the region at its meeting in Jamaica and then again in October in Cancun, Mexico. Cybersecurity, regulatory and financial technology, cross-border cooperation and integration of local markets, and complex retail financial products were among the most important issues discussed. The views of IARC members helped inform IOSCO policy discussions through our representatives on the IOSCO Board.

IARC also discussed innovative new projects undertaken by its members. These included initiatives to finance local SMEs, including Argentina´s launch of simple bonds that feature a streamlined and standardized procedure for registration and documentation; Panama and El Salvador´s progress in integrating their stock exchanges, clearing houses and regulators; the progress made in regional integration by the Pacific Alliance of Latin American countries, and Canada and Mexico´s progress with advancing technological innovation and Fintech initiatives.

I look forward to working with my colleagues at the IARC in the future. Together we can build robust capital markets in our region and make a valuable contribution to IOSCO´s projects and initiatives on a global scale.

Report on the Assessment Committee

> Chair: **Mr. Amarjeet Singh, Chief General Manager, Securities and Exchange Board of India, India**
> Vice Chair: **Mr. Jean Lorrain, Director, International Affairs, Autorité des marchés financiers, Quebec**

IOSCO continues to monitor implementation of its Principles and Standards through several different work streams and a diversified toolkit of measures aimed at balancing the needs of developed and emerging markets efficiently. At the same time, IOSCO plans to conduct more intensive reviews of selected key reform areas related to the securities markets.

In 2017, the IOSCO Assessment Committee (AC) used various tools to work towards its goal of promoting full, effective, and consistent implementation of the IOSCO Principles and Standards.

During the year, AC sought to deliver impactful and meaningful outcomes relevant to all IOSCO stakeholders through it work on several projects. The main achievements of the AC during 2017 are the following:

1. Revisions to IOSCO Principles and Assessment Methodology
2. Progress on Thematic Reviews
3. Launch of a new project on IOSCO Standards Implementation Monitoring (ISIM) on Secondary and Other Market Principles
4. Contributions to G20 and Financial Stability Board priority reform areas
5. Capacity Building for Self-Assessments
6. Country Reviews
7. Collaboration with the FSB on the Implementation Monitoring Network (IMN) Survey

Revisions to IOSCO Principles and Assessment Methodology

The IOSCO Objectives and Principles of Securities Regulation (Principles) and Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation (Methodology) are standards recognized by the Financial Stability Board (FSB) as being key to sound financial systems. Their implementation is a priority.

The revisions to the IOSCO Principles and Methodology were completed in 2017 to keep the core Principles and Methodology updated and relevant by aligning them with recent IOSCO standards or reports. The important revisions included areas pertaining to commodity derivatives, OTC derivatives, collective investment schemes, Principles relating to systemic risk, and financial benchmarks.

Progressing Thematic Reviews

On 27 July 2017, IOSCO published the AC's *Thematic Review of the Adoption of the Principles set forth in IOSCO's Report: Recommendations Regarding the Protection of Client Assets*. The thematic review identifies the implementation progress of 38 IOSCO members from 36 jurisdictions in adopting legislation, regulation, and other policies related to intermediaries holding client assets. In general, the Review found that, as of the date of reporting, the majority of participating jurisdictions had adopted, in general, a client asset protection regime as described by the Principles. The Review Team noted that the progress of implementation varied by jurisdiction.

The AC initiated a new thematic review on implementation of the recommendations made by IOSCO in *Suitability requirements with respect to the distribution of Complex Financial Products*. The IOSCO risk outlook identified the offer of complex financial products as an important risk. The IOSCO report published in January 2013 set forth nine principles regarding customer protection, focusing on the intermediaries' responsibility to assess customer suitability and provide disclosure of complex financial products. The AC has been more ambitious in this thematic review and the objective is to move beyond adoption monitoring and to conduct a deeper level 2 review. The AC will be assessing the consistency in implementation of the reforms against the IOSCO recommendations (consistency review).

ISIM on Secondary and Other Market Principles

The AC has developed IOSCO Standards Implementation Monitoring (ISIM) as a new tool to monitor the implementation of the IOSCO Principles and Standards by member jurisdictions. The first ISIM is being conducted on secondary and other market Principles (Principles 33 to 37).

The ISIM will allow IOSCO to present a global overview of implementation of the Principles by members and gather useful feedback on the subject. In contrast to Country Reviews, the ISIM is less resource intensive and covers various jurisdictions rather than just one. The ISIM is relevant for both developed and emerging market jurisdictions. A total of 38 jurisdictions (40 members) are participating in this review.

The first ISIM exercise is expected to be completed in 2018.

Contributions to G20 and Financial Stability Board priority reform areas

The AC has been contributing to FSB annual updates on progress by FSB jurisdictions in implementing the money market fund (MMF) and securitization reforms, which are aimed at transforming shadow banking into resilient market-based finance, one of the priority reform areas identified by the G20 and the FSB.

In November 2017, IOSCO published two update reports *(Update to the IOSCO Peer Review of Regulation of Money Market Funds* and *Update to the IOSCO Peer Review of Implementation of Incentive Alignment Recommendations for Securitisation)* to reflect the progress made by IOSCO members in 2016 and 2017 in adopting the MMF and securitization reforms respectively.

The AC also deliberated on the proposal for conducting a next level (consistency review) thematic review on MMF reforms.

Capacity Building (CB) for Self-Assessments

The AC has developed this new program for the purpose of promoting implementation of the IOSCO Principles. The program is targeted towards IOSCO member jurisdictions seeking to better understand and use the IOSCO Methodology. The workshop entails training on use of the IOSCO Methodology to identify gaps in regulation, procedures and processes, and ultimately to foster implementation of international standards.

The CB program has been divided into three Phases to make it result oriented:

i. **Phase 1:** (three days in-person). AC experts will provide detailed training on how to complete a self-assessment. All 38 Principles will be included in this training.

ii. **Phase 2:** (desk-based). Workshop participants would be expected to apply what they learned from the training and conduct actual self-assessments in their jurisdictions.

iii. **Phase 3:** (three days in-person). Workshop participants to report back and make presentations on their self-assessments after six to eight months. This phase will include valuable feedback from AC experts on any gaps or difficulties encountered by participants while completing the self-assessment.

The AC's ultimate goal in providing this training is to assist IOSCO members in capacity building and undertaking self-assessments with a view to encouraging full, effective and consistent implementation of Principles and Standards across IOSCO´s membership.

Country Reviews

In addition to the above activities, the AC completed a Country Review of Sri Lanka, which was published in June 2017. The Country Review identified the progress made by Sri Lanka Securities and Exchange Commission (SEC) in implementing the IOSCO Principles and identified areas requiring further reforms. The Country Review identified challenges that the SEC faces in meeting international regulatory standards relating to the design and operation of its regulatory framework.

The AC also progressed the follow up review of Pakistan.

Collaboration with FSB on the IMN Survey

Since 2015, IOSCO has been collaborating with the FSB's Implementation Monitoring Network (IMN) to conduct the IMN survey of FSB jurisdictions. This work reports on the status of implementation of G20/FSB post-crisis recommendations in areas not designated as a priority under the FSB Coordination Framework for Implementation Monitoring (CFIM).

The AC assumed responsibility for analyzing and reporting on the following areas of the survey

regarding reforms in securities markets: hedge funds, securitization, improving oversight of credit rating agencies, enhancing market integrity and efficiency; and regulation and supervision of commodities markets.

This annual exercise was completed in July 2017 and reported to the G20 Leaders´ Summit that month.

Further, in November 2017, IOSCO published its own separate report *Implementation Report: G20/FSB Recommendations related to Securities Markets* which provided additional insight into and analysis of the reform areas relevant to securities regulators.

Coming year

The year 2017 was highly productive for the AC. The AC will continue to deliver on its mandate during 2018. The projects for 2018 include:

i) progressing two thematic reviews, already approved by the IOSCO Board, on (a) Suitability

Requirements with respect to the distribution of Complex Financial Products; and (b) two related IOSCO reports from 2015 relating to Business Continuity and Recovery Planning;

ii) completing the first pilot ISIM on Secondary and Other Market Principles (Principles 33 – 37);

iii) completing all three phases of the capacity building program for self-assessments; and

iv) engaging with the FSB on annual updates / next level reviews on priority reform areas (MMF and securitization) and the IMN survey of securities market related reform areas.

The AC will continue to think about innovative ideas for achieving the high level objective of encouraging full, effective and consistent implementation of Principles and Standards across IOSCO membership.

The IOSCO MMoU/EMMoU Screening Group

> Chair: **Mr. Jean-François Fortin (Québec AMF)**
> Vice Chair: **Ms. Jane Attwood (UK FCA)**

The *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (MMoU) and *the Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (EMMoU) represent a common understanding among its signatories of how they should consult, cooperate, and exchange information for the purpose of regulatory enforcement regarding securities markets.

The Screening Group is tasked with reviewing MMoU/EMMoU applications to establish whether applicants meet the requirements for becoming signatories to either the IOSCO MMoU or the EMMoU. At the same time, the IOSCO General Secretariat offers guidance and other assistance to non-signatories to encourage them to move forward with their applications.

MMoU

In 2017, six IOSCO members signed the MMoU, bringing the total number of signatories to 115 by year end, out of a total of 143 eligible members at that time:

- Financial Services Regulatory Authority (FSRA) Abu Dhabi
- Comissão do Mercado de Capitais (CMC) Angola
- Capital Markets Authority (CMA) Kuwait
- Superintendencia del Mercado de Valores (SMV) Panama
- Qatar Financial Centre Regulatory Authority (QFCRA) Qatar
- Capital Markets Authority (CMA) Uganda

Another two members signed in January 2018:

- Central Bank of Armenia (CBA)
- Securities and Exchange Commission (SEC) Zambia

In mid-January, 12 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. One member was in an initial review process. At that time, almost all of the 13 ordinary members that remained non-signatories to the MMoU had taken steps to address through legislative amendments the issues preventing them from complying with the MMoU requirements.

The growing number of signatories has increased cross-border cooperation, enabling regulators to investigate a growing number of insider traders, fraudsters, and other offenders.

Enhanced MMoU

The current MMoU has set the benchmark for international cooperation among securities regulators in enforcement matters. By facilitating information sharing and cooperation, the MMoU enables the detection and prosecution of fraud and illegal conduct, deters wrongdoers, and prevents regulatory arbitrage.

But since 2002, when the current MMoU was established, significant change has swept across financial markets, driven by new technologies and regulation and the growing role of market-based finance in the global economy. These changes propelled IOSCO to develop an enhanced standard that goes beyond the MMoU and takes into account these recent market developments.

At the annual meeting in Lima in May 2016, the IOSCO Presidents Committee adopted a resolution approving


ARD
CE-CHAIRMAN
BOARD CHAIRMAN
KUWAIT
(CMA)

the text of the Enhanced MMoU (EMMoU). In March 2017, IOSCO launched the EMMoU, which provides for additional enforcement powers that IOSCO believes are necessary for continuing to safeguard the integrity and stability of markets, protect investors, and deter misconduct and fraud.

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

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

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

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

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

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

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

The EMMoU as approved by the Presidents Committee has two appendices for classifying signatories:

> Appendix A.1 listing signatories that hold the ACFIT powers; and

> Appendix A.2 listing signatories that hold the ACF powers.

Securities regulators have been required to sign the MMoU to become members of IOSCO. The MMoU will remain in effect as long as any signatories wish to use it. In that case, jurisdictions will co-operate under the instrument to which both are signatories. However, the long term objective is for all MMoU signatories to migrate eventually to the EMMoU.

The General Secretariat began accepting EMMoU applications from members on 3 April 2017 and 12 jurisdictions had submitted their applications by year end.

Capacity Building

IOSCO Asia-Pacific Hub

IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative establishes IOSCO´s first regional hub to deliver capacity building activities for securities markets regulators.

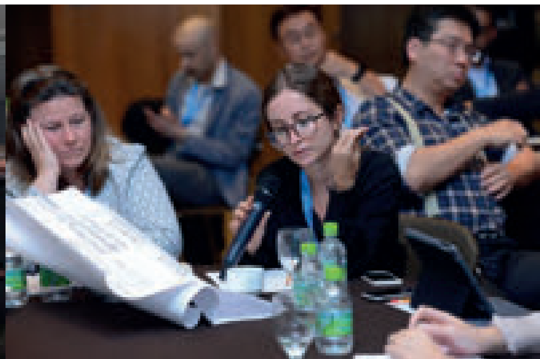
Under the supervision of the IOSCO Secretary General, the Hub enables IOSCO to leverage on the experience, expertise, and infrastructure of its membership to foster market development and enhance connectivity and inclusiveness in the Asia Pacific region.

The Hub´s launch responds to a growing demand among IOSCO members for enhanced capacity building, particularly in growth and emerging markets. The need to expand the regulatory capacity of IOSCO members is intensifying amid the growing complexity of financial markets, increasing technological innovation, and rising cross-border activity. These developments pose challenges for regulators, increasing the need for IOSCO members to enhance their regulatory expertise and hone their ability to oversee and supervise markets.

The Hub held its inaugural two-day workshop *on Leveraging Behavioural Economics for Investor Education and Investor Protection* on 3-4 October 2017, coinciding with IOSCO´s World Investor Week 2017. The Workshop was designed to help regulators identify behavioral insights that could help increase the effectiveness of investor education and financial literacy initiatives. The Workshop also reviewed the approaches that regulators use globally to apply behavioral insights to investor initiatives. Thirty-one participants from 20 jurisdictions participated in the Workshop.

During the SC's *Digital Finance Conference on Democratising Investments* in November 2017, the Hub permitted IOSCO members to view relevant sessions of the Conference via live stream. The conference focused on the adoption of technology to digitalize capital market products and services, and featured experts on various topics such as digital investment services, the future of financial services ecosystem, and promoting more inclusive markets.

The Hub organized the IOSCO Assessment Committee's inaugural Self-Assessment Workshop in January 2018



to foster the implementation of the IOSCO Principles of Securities Regulation. The implementation of a robust framework for securities regulation will help strengthen the capacity of regulators in identifying possible gaps in regulation, procedures, and processes, and in meeting international standards and best practices. Conducted by experts from IOSCO's Assessment Committee, the three-day Workshop attracted 23 participants from 14 jurisdictions.

Technical Assistance

IOSCO launched its Technical Assistance program in 2017 with two projects. The first was to assist five members selected from the Africa/Middle East Regional Committee (AMERC) in developing onsite inspection manuals; the second was to assist five members selected from the Inter-American Regional Committee (IARC) to develop enforcement manuals. These projects respond to the priority needs identified through surveys of IOSCO members in the AMERC and IARC regions.

Superintendencia del Mercado de Valores, Dominican Republic hosted the first phase of the IARC project in Santo Domingo, in November 2017. The following onsite phase for this project was hosted by the Superintendencia del Mercado de Valores, Panama in Panama City in March 2018.

For the AMERC region, Capital Markets Authority, Kenya hosted the first phase of the project in Nairobi in November-December 2017. The following onsite phase for this project was hosted by the Securities and Exchange Commission of Zambia in Livingstone in February 2018.

IOSCO launched an Online Toolkit in March 2016 to assist its members in their efforts to develop and implement effective regulatory frameworks for capital markets regulation. The Online Toolkit had two initial components - risk based supervision and enforcement, which were the two top priorities identified by growth and emerging markets members. Each component has detailed modules on the subject matter, a description of IOSCO standards and reports, case studies and members' practices, webinars and presentations, a bibliography, and academic research. In 2017, IOSCO began work on four new components for the Online Toolkit, expected to be completed in 2018.

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.

Rapid change and financial innovation characterize securities markets. Securities regulators in their jurisdictions and IOSCO at a global level rely on the Research Function to help them stay 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.

Until November 2017, the Research Function consisted of the Committee on Emerging Risks (CER), chaired by Paul Redman of the Ontario Securities Commission, and a small Research Department at the General Secretariat, headed by Werner Bijkerk of the Secretariat. In November 2017, the Research Department underwent a functional separation of responsibilities, which were subsequently divided between two newly-created units: *Emerging Regulatory Issues*, headed by Damien Shanahan of the Secretariat, and *Market Intelligence and Data Analysis*, led by Dr. Shane Worner, also of the Secretariat.

The identification of global risks

The Research Function prepared IOSCO's Risk Outlook in 2017. The Risk Outlook analyzed four key drivers of

risk to the objectives of securities markets regulators. These included economic and financial developments, such as the behaviour of market participants and investors; legal, regulatory, and policy trends, both at the jurisdictional and international levels; demographic trends, particularly in key developed and developing markets; and developments in technology and innovation and their effects on market structure and securities market regulators' objectives regarding investor protection. The Board approved the Risk Outlook at its October 2017 meeting in Madrid.

The Research Function's efforts to identify, monitor, and mitigate risks throughout the financial system will help promote financial stability by detecting vulnerabilities, improving investor protection, and facilitating capital formation.

Data collection and governance

In 2017, staff at the Research Department helped facilitate the publication of the IOSCO Hedge Funds survey. This survey is an important data gathering exercise undertaken by IOSCO every two years to fulfill a G20 mandate and help understand risk buildup in the Hedge Fund industry. The next exercise is scheduled in 2018 and will be under the direction of the newly created market intelligence and data analytics unit.

Outreach, debate, education and training, and capacity building

During 2017, the Research Department participated in various panel discussions and provided training at meetings and events held by IOSCO members, other regulatory organizations, and market participants.

In March 2017, staff participated in the Peruvian Superintendencía del Mercado de Valores' *XVIII Specialisation Programme on Securities Markets*, providing presentations on the fundamentals of securities markets and also on crowdfunding. Additionally, Research Department staff delivered training initiatives for IOSCO training programs (such as the Global Certificate and Seminar Training Programs), while also offering crowdfunding technical assistance on behalf of the World Bank in South America.

IOSCO´s Global Education and Training Program

IOSCO´s Education and Training programs are designed to build the regulatory capacity of its members through new and innovative seminars and workshops that draw on the expertise of IOSCO policy committees, industry practitioners, academia, and the regulatory community. The programs, which respond to a growing demand from members, particularly those from emerging markets, continue to be an important vehicle for advancing IOSCO´s regulatory goals and facilitating the implementation of its standards and principles.

IOSCO Education & Training (E&T) Activities 2017

1. Global Certificate Program for Regulators of Securities Markets

The second edition of Phase I of the two-phase IOSCO/PIFS Harvard Law School Global Certificate Program for Regulators of Securities Markets took place at IOSCO´s premises in Madrid, Spain, from 19 to 30 June 2017. The program, which covered the fundamentals and intricacies of securities regulation and compliance, was fully subscribed with almost 90 participants from 40 jurisdictions. Throughout the two-week program, more than thirty speakers shared their expertise and experiences with participants, using lectures, case studies, and discussions to convey their ideas.

The second edition of Phase II took place at Harvard Law School in Cambridge, Massachusetts, on 3-8 December 2017. In this phase, Harvard academics, securities regulators, and senior public policy makers taught classes and led discussions on current and future regulatory challenges and emerging issues. Of the 50 participants, 39 had already completed both weeks of Phase I in Madrid. At the end of the week, these 39 participants received their Certificate for completing the full three week program and studying the required online learning materials which included the modules of the IOSCO Capacity Building Online Toolkit.

Over the past two years a total of 185 IOSCO members have enrolled in this two-phase program. By the end of the year, 79 of them had completed the full program.

2. IOSCO Seminar Training Program

The 2017 IOSCO Seminar Training Program (STP) took place from 3 to 5 May at IOSCO´s premises in Madrid. The theme of this year´s STP was *Protecting Investors through Supervision, Inspections, and Examinations*. Ninety participants from 40 jurisdictions attended the program, which included sessions on the different objectives and approaches to supervision, use of behavioral economics, data analytics, online retail services, regulatory inquiries and investigations, how to prepare for and conduct an inspection, and the taking of testimony.

3. IOSCO Executive Program on Supervision

The IOSCO Secretariat piloted an Executive Program on *How to Increase your Supervision Effectiveness* in Madrid, from 4 to 7 September 2017. During this intensive three and a half-day executive program, 12 top executives leveraged the expertise of prominent supervision experts and their peers to analyze their supervision strategies and methods, identify opportunities for further improvement, and craft a customized action plan for their organizations. The program was very well received by the participants, who found it useful for evaluating and improving their approach to supervision.

4. Joint IOSCO / Financial Stability Institute (FSI) Conference

The 11th IOSCO/FSI Conference on *Trading Book Issues and Market Infrastructure* was jointly hosted by IOSCO and the Financial Stability Institute (FSI) from 15 to 17 November 2017 in Madrid. More than 90 securities regulators and banking supervisors from almost 50 jurisdictions attended the program, which focused on recent work by the Basel Committee on Banking Supervision (BCBS) and IOSCO in the field of regulation and supervision of trading books in banks and related market infrastructures for trading activities. Over the course of this three-day event, topics of discussion included the work of CPMI and IOSCO on resilience and recovery of CCPs, counterparty credit risk in the Basel framework, the fundamental review of the trading book by the BCBS, as well as digital innovations and cyber issues. In addition, participants discussed issues related to asset management, governance and misconduct risks, recent global enforcement cases, and CPMI- IOSCO´s work on implementation monitoring.

5. Joint IFIE / IOSCO Investor Education Conference

The theme of the 9th joint 2017 IFIE-IOSCO Investor Education Conference was *A Changing Era in Financial Capability/Investor Education Programming*. It was held on 4-6 June 2017 in Rio de Janeiro, hosted by the Brazilian Financial and Capital Markets Association (ANBIMA). Over 100 investor education professionals participated in the conference which looked into the implications of financial technologies, changing investor demographics, and the application of behavioral insights. The conference was followed by a workshop targeted at participants from growth and emerging markets and, as in 2016, the conference was held in conjunction with a meeting of Committee 8 on Retail Investors.

6. IOSCO AMCC Training Seminar

The 10th edition of the IOSCO Affiliate Members Consultative Committee (AMCC) Training Seminar

took place on 26-28 September 2017 in Mumbai, India, hosted by BSE Limited. More than 70 participants attended the Seminar, which covered the following topics: global cyber security practices and regulatory standards; corporate governance and disclosure of information; market surveillance practices, technologies, and tools; enforcement and investigation; technology and regulation; and current measures undertaken by markets and regulators to enhance the financing of SMEs.

7. GEM Committee Regulatory Workshops

The Growth and Emerging Markets (GEM) Committee of IOSCO continued organizing Regulatory Workshops for all IOSCO members in 2017. As part of the 2017 IOSCO Annual Conference in Montego Bay, Jamaica, the GEM organized two regulatory workshops on *How are Financial Technologies Transforming Capital Markets?* and *The Regulatory Responses to the Rising Fintech Phenomenon*. The 2017 Annual GEMC Conference in Colombo, Sri Lanka, featured a regulatory workshop on *Cyber Resilience*.

8. IOSCO Education and Training Survey 2017

In the first quarter of 2017 the IOSCO Secretariat carried out its bi-annual Education and Training Survey. Seventy IOSCO members responded to the survey and highlighted the need for training on Fintech, (risk based) supervision, enforcement, cooperation, derivatives, and corporate governance. With respect to the different groups of IOSCO Principles, the Principles on Enforcement of Securities Regulation and the Principles for Financial Market Infrastructures drew the greatest interest, followed by the Principles on Market Intermediaries, Secondary Markets, and Collective Investment Schemes.

Survey respondents also highlighted the need for more accessibility through regional IOSCO training programs.

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 meeting, though voting rights are restricted to ordinary members.

The Board is the governing and standard-setting body of IOSCO. As of the IOSCO Annual Meeting in May 2016, the IOSCO Board is composed of 34 members and two observers:

a) The 18 nominated 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 two Vice Chairs of the Growth and Emerging Markets (GEM) Committee are elected

c) The Chairs and the Vice Chairs of the four Regional Committees,

d) One Member elected by the GEM Committee from its Membership,

e) One Member elected by each of the four Regional Committees from their Memberships,

Ashley Alder, the Chief Executive Officer, Securities and Futures Commission, Hong Kong, took over as chair at the Board meeting in Lima, Peru in May 2016. He is supported by two Vice Chairs; Jean-Paul Servais, Chairman, Financial Services and Markets Authority, Belgium (elected by the Board in May 2016) and Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia (ex-officio as GEM Chair). The observers in 2017 were the Chairman of the IOSCO Affiliate Members Consultative Committee, Jose Carlos Doherty, CEO, Brazilian Financial and Capital Markets Association (ANBIMA), and the Chairman of the European Securities and Markets Authority of the European Union, Steven Maijoor.

The Growth and Emerging Markets Committee (GEM Committee) is the largest committee within IOSCO, representing 75% of the IOSCO's ordinary membership. Ranjit Ajit Singh, Chairman, Securities Commission Malaysia, is the Chair of the GEM Committee. The two Vice-Chairs are Leonardo Pereira, Chairman, Comissão de Valores Mobiliários, Brazil, and Mr. Marcos Ayerra, Chairman, Comisión Nacional de Valores, Argentina. 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 90 members that 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 and to contribute a regional perspective to Board discussions:

- 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 a 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**.

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.

To meet the goal and priorities laid out in the IOSCO Strategic Direction for 2016 – 2020, the Presidents Committee agreed at its meeting in June 2015 in London that additional funding of 5,085,000 Euros would be required over this period. It agreed to increase membership fees from 1 January 2016, according to the following fee contribution structure:

Membership Category[1]	Annual Fee 2016-2020 (in Euros)
Nominated Board members	46,500
Other Ordinary and Associate C3 category members (high income - high GDP)	42,000
Other Ordinary and Associate B3 category members (high income - medium GDP)	28,000
Other Ordinary and Associate C2 category (medium income - high GDP)	28,000
Other Ordinary and Associate B2 category members (middle income-middle GDP)	21,000
Other Ordinary and Associate A3 members (high income - low GDP)	21,000
Other Ordinary and Associate C1 members (low income - high GDP)	21,000
Other Ordinary and Associate B1 members (low income - medium GDP)	17,000
Other Ordinary and Associate A2 members (mid income - low GDP)	17,000
Other Ordinary and Associate A1 members (low income - low GDP)	13,750
Other Associate members (international organizations)	18,000
Affiliate members	The annual fee will be applied on the basis of a 10% increase on 2012-2015 fee levels.

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.

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 the Presidents Committee meeting but they are not entitled to vote at the meeting.

Contact Details

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Website: www.iosco.org


JAMAICA


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IOSCO Members

Ordinary Members (128)

AGENCY	COUNTRY
Albanian Financial Supervisory Authority	ALBANIA
Alberta Securities Commission	ALBERTA, CANADA
Commission d’Organisation et de Surveillance des Opérations de Bourse	ALGERIA
Autoritat Financera Andorrana	ANDORRA, PRINCIPALITY OF
Comissão do Mercado de Capitais	ANGOLA
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
Commission de Surveillance du Marché Financier de l’Afrique Centrale	CENTRAL AFRICA
Financial Market Commission	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
Dubai Financial Services Authority	DIFC, DUBAI
Superintendencia del Mercado de Valores de la Republica Dominicana	DOMINICAN REPUBLIC
Superintendencia de Compañías, Valores y Seguros	ECUADOR
Financial Regulatory Authority*	EGYPT
Superintendencia del Sistema Financiero	EL SALVADOR
Financial Supervision Authority (Finantsinspektioon)	ESTONIA
Financial Supervision Authority	FINLAND
Autorité des marchés financiers*	FRANCE
Bundesanstalt für Finanzdienstleistungsaufsicht*	GERMANY
Securities and Exchange Commission	GHANA
Gibraltar Financial Services Commission	GIBRALTAR
Hellenic Republic Capital Market Commission	GREECE
Guernsey Financial Services Commission	GUERNSEY
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
Isle of Man 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, REPUBLIC OF
Capital Markets Authority*	KENYA
Financial Services Commission/Financial Supervisory Service*	KOREA, REPUBLIC OF
Capital Markets Authority*	KUWAIT
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 and Exchange Commission of the Republic of Montenegro	MONTEGRO, REPUBLIC OF
Conseil déontologique des valeurs mobilières	MOROCCO
The Dutch 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, SULTANATE OF
Ontario Securities Commission*	ONTARIO, 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)*	QUEBEC, CANADA
Securities Commission of the Republic Srpska	REPUBLIC SRPSKA
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 Sector Conduct Authority*	SOUTH AFRICA
Comisión Nacional del Mercado de Valores*	SPAIN
Securities and Exchange Commission	SRI LANKA
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
Financial Services Commission	TURKS AND CAICOS ISLANDS
Capital Markets Authority	UGANDA
National Securities and Stock Market Commission	UKRAINE
Securities and Commodities Authority*	UNITED ARAB EMIRATES
Financial Conduct Authority*	UNITED KINGDOM
Commodity Futures Trading Commission*	UNITED STATES OF AMERICA
Securities and Exchange 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 (27)

Market Financial Services Regulatory Authorities	ABU DHABI
Asian Development Bank	ASIA
Non-Bank Financial Institution Regulatory Authority	BOTSWANA
Auditoria Geral do Mercado de Valores Mobiliários	CABO VERDE
Securities and Exchange Commission of Cambodia	CAMBODIA
Commission des Marchés Financiers	CAMEROON
Centrale Bank van Curaçao en Sint Maarten	CURAÇAO
European Commission	EUROPEAN UNION
European Securities and Markets Authority	EUROPEAN UNION
International Bank for Reconstruction and Development	INTERNATIONAL
International Monetary Fund	INTERNATIONAL
Organisation de coopération et de développement économiques	INTERNATIONAL
Securities and Exchange Organization	ISLAMIC REPUBLIC OF IRAN
Securities and Exchange Surveillance Commission	JAPAN
Astana Financial Services Authority	KAZAKHSTAN, REPUBLIC OF
Korea Deposit Insurance Corporation	KOREA, REPUBLIC OF
Capital Markets Authority	LEBANON
Labuan Financial Services Authority	MALAYSIA
Commission de Contrôle des Activités Financières	MONACO, PRINCIPALITY OF
Namibia Financial Institution Supervisory Authority	NAMIBIA
Securities Board	NEPAL
Comision Nacional de Valores	PARAGUAY
Qatar Financial Centre Regulatory Authority	QATAR
Capital Market Authority	RWANDA
Financial Services Authority	SEYCHELLES
Financial Services Regulatory Authority	SWAZILAND
Union of Arab Securities Authorities	UNITED ARAB EMIRATES

Affiliate Members (63)

Bahamas International Securities Exchange	BAHAMAS, THE
Bahrain Bourse	BAHRAIN, KINGDOM OF
The Bermuda Stock Exchange	BERMUDA
B3 – Brasil, Bolsa, Balcão	BRAZIL

*Member of the IOSCO Board

Brazilian Financial and Capital Markets Association	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
Asset Management Association of China	CHINA
China Financial Futures Exchange	CHINA
China Securities Depository and Clearing Corporation Limited	CHINA
China Securities Investor Protection Fund Co., Ltd.	CHINA
Shanghai Stock Exchange	CHINA
Shenzhen Stock Exchange	CHINA
The Securities Association of China	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
European Fund and Asset Management Association	EUROPEAN UNION
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
CFA Institute	INTERNATIONAL
FIA	INTERNATIONAL
Financial Planning Standards Board Ltd.	INTERNATIONAL
Global Financial Markets Association	INTERNATIONAL
ICI Global	INTERNATIONAL
International Capital Market Association	INTERNATIONAL
International Swaps & Derivatives Association, Inc.	INTERNATIONAL
Standards Board for Alternative Investments	INTERNATIONAL
World Federation of Exchanges Ltd.	INTERNATIONAL
Japan Securities Dealers Association	JAPAN
Japan Exchange Group, Inc.	JAPAN
Boursa Kuwait Securities Company	KUWAIT
Korea Exchange	KOREA, REPUBLIC OF
Bursa Malaysia	MALAYSIA
The Nigerian Stock Exchange	NIGERIA
Central Securities Clearing Systems PLC	NIGERIA
Pakistan Stock Exchange Ltd.	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
The Stock Exchange of Thailand	THAILAND
Borsa Istanbul	TURKEY
Dubai Gold and Commodities Exchange	UNITED ARAB EMIRATES
LCH.Clearnet Group Limited	UNITED KINGDOM
CME Group	UNITED STATES OF AMERICA
Depository Trust & Clearing Corporation (DTCC)	UNITED STATES OF AMERICA
Financial Industry Regulatory Authority	UNITED STATES OF AMERICA
National Futures Association	UNITED STATES OF AMERICA
Securities Investor Protection Corporation	UNITED STATES OF AMERICA
Options Clearing Corporation	UNITED STATES OF AMERICA

INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of International Organization of Securities Commissions (the Organization), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Secretary General and the Audit Committee for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE, S.L.

Antonio Ríos Cid

Madrid, April 20, 2018

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Financial Statements

Statement of Comprehensive Income (in Euros)

Year ended December 31, 2017

Notes 1 and 2

	2017	2016
REVENUE		
Contributions from members (Note 3)	5,625,480	5,089,926
Annual Conferences (Note 3)	120,000	120,000
Exchange Gain	-	3,057
Other	31,577	23,943
2015 Capacity Building Program (Note 14)	22,390	56,295
Total Revenue	**5,799,447**	**5,293,221**
EXPENSES		
Salaries and employee benefits (Note 4)	2,941,114	2,662,457
Rental and maintenance (Note 13)	107,053	96,575
Travelling	429,699	421,397
Office Supplies	58,307	37,250
Organization and follow up of meetings	85,897	76,340
Telecommunications	66,001	100,497
Delivery and communication	3,037	10,939
Printing and Annual Report	20,319	36,174
Information Technology	178,891	150,859
Professional fees	134,693	138,563
Educational programs and Technical Assistance	252,286	154,364
Miscellaneous	48,848	44,361
Exchange loss	14,673	-
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	49,188	38,791
2015 Capacity Building Program (Note 14)	22,390	56,295
Total Expenses	**4,512,396**	**4,124,862**
Taxation (Note 11)	-	-
Excess of revenue over expenses before tax (expenses over revenue)	**1,287,051**	**1,168,359**
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	**1,287,051**	**1,168,359**

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

Statement of Financial Position (in Euros)

Year ended December 31, 2017

Notes 1 and 2

	2017	2016
ASSETS		
Current assets		
Cash (Note 6)	3,058,270	3,199,425
Term Deposits (Note 6)	4,265,000	3,000,000
Accounts Receivable (Note 8)	110,846	118,179
Prepaid Expenses (Note 9)	26,712	8,520
	7,460,828	**6,326,124**
Capital Assets (Note 7)	215,720	80,258
Total Assets	**7,676,548**	**6,406,382**
LIABILITIES		
Current Liabilities		
Accounts Payable and accrued liabilities (Note 8)	487,653	347,444
Contributions received in advance (Note 3)	224,341	381,435
Total Liabilities	**711,994**	**728,879**
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	1,287,051	1,168,359
Unrestricted members´ funds	5,677,503	4,509,144
Total members' Funds	**6,964,554**	**5,677,503**
Total liabilities and members' Funds	**7,676,548**	**6,406,382**

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

Statement of Changes in Net Assets (in Euros)

Year ended December 31, 2017

Notes 1 and 2

		2017	2016
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	5,677,503	5,677,503	4,509,144
Excess of revenue over expenses net of tax (expenses over revenue)	1,287,051	1,287,051	1,168,359
Balance, end of year	**6,964,554**	**6,964,554**	**5,677,503**

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

Statement of Cash Flows (in Euros)

Year ended December 31, 2017

Notes 1 and 2

	2017	2016
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	1,287,051	1,168,359
Depreciation of capital assets (Note 7)	49,188	38,791
Decrease (increase) in working capital items (Note 10)	(27,744)	(205,423)
(Gains)/Losses on disposal of non-financial assets	(9,044)	-
Net cash generated	**1,299,451**	**1,001,727**
INVESTING ACTIVITIES		
Term deposits transactions (Note 6)	(1,265,000)	1,000,000
Capital expenditures (Note 7)	(175,606)	(38,134)
Net cash used	**(1,440,606)**	**961,866**
Net increase (decrease) in cash and cash equivalents	**(141,155)**	**1,963,593**
Cash and cash equivalents, beginning of period	3,199,425	1,235,832
Cash and cash equivalents, end of period	**3,058,270**	**3,199,425**
CASH AND CASH EQUIVALENTS		
Cash (Note 6)	3,058,270	3,199,425
	3,058,270	**3,199,425**

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

1 Governing Statutes and Purpose of the Organization

The International Organization of Securities Commission (hereinafter IOSCO or "the Organization") is an association of securities regulatory organizations. It was incorporated as a non-profit organization under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999 and whose legal framework is constituted, mainly, by the "Headquarters Agreement between the Kingdom of Spain and the International Organization of Securities Commissions" published in the Spanish Official State Bulletin on 17 December 2011 (HQA), and having its domicile in Madrid.

IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. Its current membership comprises regulatory bodies from over one hundred and thirty jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

The IOSCO Objectives and Principles of Securities Regulation have been endorsed by both the G20 and the FSB as the relevant standards in this area. They are the overarching core principles that guide IOSCO in the development and implementation of internationally recognized and consistent standards of regulation, oversight and enforcement. They form the basis for the evaluation of the securities sector for the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund (IMF) and the World Bank.

By providing high quality technical assistance, education and training, and research to its members and other regulators, IOSCO seeks to build sound global capital markets and a robust global regulatory framework.

The IOSCO objectives 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 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.

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 authorized for issue by the Secretary General of the Organization on 31 March 2018.

Measurement bases

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

Accounting estimates

The preparation of these financial statements, which are 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. Actual results may differ from these estimates.

Revenue and cost recognition

Member contributions are deferred when prepaid and recognized as income only upon accrual and receipt. Revenue received in advance represents members' prepaid contributions.

Operating costs are recognized as an expense when incurred.

Employee entitlements

Employee salaries, social security and other related benefits are recognized in the Statement of the Comprehensive Income when they are earned. Contributions to staff pension plans and retirement entitlements are recognized when they become due.

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	20-25%
Vehicles	Straight-line	25%

Foreign currency translation

Given that 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 recognized in Euros at the foreign exchange rate 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 (1) membership fees collected during the year, corresponding to contributions due for the reporting period and (2) previous reporting periods (including interests on arrears) and contributions from agencies applying for membership.

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

Other revenue is comprised primarily of interest income from term deposits (see Note 6).

The account "Contributions received in advance" of the statement of financial position at 31 December 2017 includes funding received from members in 2017, amounting to €224,341 which is designated for subsequent periods (contributions of €381,435 received in advance during 2016). Part of these contributions correspond to members´ prescribed membership fees, the remainder correspond to contributions received in advance from nominated Board members to fund the 2015 Capacity Building Program (see note 14). The IOSCO Board agreed that the unspent budget from the 2015 Capacity Building Program would be carried over to fund further activities related to the IOSCO Capacity Building Online Toolkit in 2017 and 2018.

The detail of contributions received in advance is provided in the chart below:

	2017	2016
Membership contributions	106,822	241,525
2015 Capacity Building Program	117,519	139,910
Total contributions received in advance	**224,341**	**381,435**

(in Euros)

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2017 and 2016 is shown in the chart below:

	2017			2016		
	Men	Women	Total	Men	Women	Total
Permanent staff	10	12	22	9	13	22
Secondees	4	2	6	4	2	6
Intern	1	0	1	1	0	1
Total Staff	**15**	**14**	**29**	**14**	**15**	**29**

Total salary and employee benefits´ cost are shown in the chart below:

	2017	2016
Gross salaries	2,323,356	2,055,449
Spanish social security	300,617	277,824
Other social benefits	317,141	329,184
Total salaries and employee benefits	**2,941,114**	**2,662,457**

(in Euros)

In 2017, the Organization had the benefit of seconded staff from the Securities and Exchange Commission of Bangladesh (BSEC), the Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Financial Services Commission of Mauritius (FSC), the Financial Regulatory Commission of Mongolia (FRC) and the Netherlands Authority for the Financial Markets (AFM).

To extend to secondees the benefits granted to IOSCO staff by the HQA, the Organization typically enters, as part of the secondment program into a trilateral agreement with the sponsoring member and the secondee, whereby it offers the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat on a temporary basis. 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. To enhance comparability, the amounts corresponding to the secondment program, both in terms of 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:

	2017	2016
Revenue associated to the Secondment Program	337,700	253,072
Subsidized expenditure associated to the Secondment Program	(336,313)	(261,457)
Net as at December 31, 2017	**1,387**	**(8,385)**

(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 €53,639 (€43,800 for the year 2016).

In a minority of cases no trilateral agreement is executed because the sponsoring member continues to provide all the employment, administrative and financial requirements with respect to the secondee. When this occurs, IOSCO has no direct, formal employment link with the secondee and has no financial obligation. Accordingly, revenue and the related expenditure are not accrued.

Also, the "Salaries and employees benefits – Other social benefits" heading in the statement of comprehensive income as of 31 December 2017 includes two additional distinct items.

First, this figure takes into account the contributions made by IOSCO to full time employees´ defined contribution pension plans. As context, the Board and the Presidents Committee agreed, in June 2016, as part of the 2020 Strategic Direction decision, that permanent IOSCO staff would receive contributions to private pension arrangements. Accordingly, on an annual basis, the IOSCO Board approves the Organization's budget, including a line item related to salaries and employee benefits, which includes a provision for pension plan contributions for permanent staff. The pension contribution was operationalized in a Unit Linked managed by Aegon España, S.A.U. de Seguros y Reaseguros. This, along with other staff pension allowances amounted to €181,973 (€175,806 in 2016).

Second, in addition to the moving and relocation costs related to secondees noted above, this line item also includes full time employees´ medical insurance, moving and relocation costs which have been assumed by IOSCO. This figure amounts to €79,458 (€99,438 for the year 2016).

5 PIOB Funding

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

IOSCO contributed €100,000 to the PIOB in 2017 and in 2016.

6 Cash and Term Deposits

Cash is held in non-remunerated current bank accounts denominated in Euros in Caixabank, Santander, Bankinter and BBVA, all entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts.

Cash is also held in bank deposits. The basic terms of the bank deposits as of 31 December 2017 are shown in the chart below:

				2017	
Counterparty (in Euros)	**Currency**	**Contract date**	**Maturity date**	**Annualized interest rate**	**Amounts**
Banco Santander*	Euro	10/02/2016	10/03/2018	0.649%	500,000
Banco Santander*	Euro	14/02/2016	14/03/2018	0.649%	500,000
Banco Santander*	Euro	17/02/2016	17/03/2018	0.649%	500,000
Banco Santander*	Euro	20/02/2016	20/03/2018	0.649%	500,000
Banco Santander*	Euro	01/03/2016	01/04/2018	0.649%	500,000
Banco Santander*	Euro	07/03/2016	07/04/2018	0.649%	500,000
Bankinter	Euro	03/05/2017	03/05/2018	0.10%	165,000
Bankinter	Euro	03/05/2017	03/05/2018	0.10%	500,000
Bankinter	Euro	03/05/2017	03/05/2018	0.25%	600,000
Total as at December 31, 2017					**4,265,000**

(*) Term deposits with quarterly liquidity windows

Counterparty (in Euros)	Currency	Contract date	Maturity date	2016 Annualized interest rate	Amounts
Banco Santander*	Euro	10/02/2016	10/03/2018	0.649%	500,000
Banco Santander*	Euro	14/02/2016	14/03/2018	0.649%	500,000
Banco Santander*	Euro	17/02/2016	17/03/2018	0.649%	500,000
Banco Santander*	Euro	20/02/2016	20/03/2018	0.649%	500,000
Banco Santander*	Euro	01/03/2016	01/04/2018	0.649%	500,000
Banco Santander*	Euro	07/03/2016	07/04/2018	0.649%	500,000
Total as at December 31, 2016					**3,000,000**

(*) Term deposits with quarterly liquidity windows

7 Capital Assets

	Vehicles	Furniture and fixtures	Computer equipment	2017 Total
At the lower of recoverable value and cost				
Balance, beginning of year	37,561	106,227	662,538	806,326
Additions	-	136,500	59,106	195,606
Disposals	(37,561)	-	-	(37,561)
Balance, end of year	**-**	**242,727**	**721,644**	**964,371**
Accumulated depreciation				
Balance, beginning of year	(23,475)	(81,359)	(621,234)	(726,068)
Depreciation	(3,130)	(18,544)	(27,514)	(49,188)
Disposals	26,605	-	-	26,605
Balance, end of year	**-**	**(99,903)**	**(648,748)**	**(748,651)**
Net as at December 31, 2017	**-**	**142,824**	**72,896**	**215,720**

(in Euros)

	Vehicles	Furniture and fixtures	Computer equipment	2016 Total
At the lower of recoverable value and cost				
Balance, beginning of year	37,561	104,599	626,032	768,192
Additions	-	1,628	36,506	38,134
Disposals	-	-	-	-
Balance, end of year	**37,561**	**106,227**	**662,538**	**806,326**
Accumulated depreciation				
Balance, beginning of year	(14,085)	(68,964)	(604,228)	(687,277)
Depreciation	(9,390)	(12,395)	(17,006)	(38,791)
Disposals	-	-	-	-
Balance, end of year	**(23,475)**	**(81,359)**	**(621,234)**	**(726,068)**
Net as at December 31, 2016	**14,086**	**24,868**	**41,304**	**80,258**

(in Euros)

8 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2017	2016
Secondment contributions (See Note 3)	54,940	104,402
Other	55,906	13,777
Total Accounts receivable	**110,846**	**118,179**

(in Euros)

b) Accounts payable and accrued liabilities

	2017	2016
Professional services	39,073	87,684
Occupancy (See Note 13)	75,000	68,000
Spanish Taxes (employee's income tax withheld) and Social Security	128,760	120,002
Contractual staff commitments (See Note 4)	134,966	33,714
Traveling	31,728	31,899
Other	78,126	6,145
Total Accounts payable and accrued liabilities	**487,653**	**347,744**

(in Euros)

9 Prepaid expenses

Prepaid expenses comprise advance payments in the reporting period relating to services to be rendered in subsequent periods. They are carried on the balance sheet until the service is rendered and expenses are recognized in the income statement.

Detail of prepaid expenses at 31 December 2017 and 2016 is as follows:

	2017	2016
Travel booked in advance for subsequent periods	26,712	3,171
Other	-	5,349
Total Accounts payable and accrued liabilities	**26,712**	**8,520**

(in Euros)

10 Information Included in the Statement of Cash Flows

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

	2017	2016
Accounts receivable	(50,903)	(67,710)
Prepaid expenses	18,192	72,421
Accounts payable and accrued liabilities	(96,639)	(97,736)
Contributions received in advance	157,094	(112,398)
Increases (decreases) in working capital	**27,744**	**(205,423)**

(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.

12 Government Assistance

Under the headquarters agreement, the Spanish Authorities grant IOSCO the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance expenses (e.g., electricity, water, elevator maintenance). The estimated revenue in kind associated with the 56% share is €219,811 for 2017.

IOSCO has also entered into an agreement with the Spanish securities regulator, Comisión Nacional del Mercado de Valores (CNMV), under which the parties agreed that the CNMV would be responsible for meeting the costs of security and maintenance of security systems on the IOSCO premises; insuring the premises; and covering municipal and local property taxes. These revenues in kind have been estimated at €77,050 for 2017 (€73,099 in 2016).

13 Rental and Maintenance

	2017	2016
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	75,000	68,000
Other external maintenance services	32,053	28,575
Total rental and maintenance	**107,053**	**96,575**

(in Euros)

14 2015 Capacity Building Program

In June 2014, the IOSCO Board approved a pilot program for additional capacity building activities to be carried out by the General Secretariat. These activities included the creation of an Online Toolkit and the organization of two additional regional training seminars. These capacity building activities for IOSCO members are in addition to the long-standing and on-going IOSCO education and training activities.

The Board also agreed that the pilot program would be funded by a one-off contribution of €15,000 from each nominated member to the IOSCO Board,[1] to be paid in 2015 as a supplement to their 2015 annual membership contribution fees. The IOSCO Presidents Committee ratified this agreement in its resolution 2/2014.

IOSCO received a total of €240,000 in 2015 from 16 nominated Board members.

The total costs incurred in 2017 to support and develop the pilot program were €22,390 (€56,295 in 2016). These costs correspond primarily to the professional consulting fees for the development of an additional module and materials for the online toolkit component on secondary markets.

During the course of 2017, the Board agreed to use the unspent funds to further enhance the pilot program.

The unspent funds of €117,519 have been recognized as contributions received in advance from members (See Note 3).

15 Auditors´ remuneration

The total remuneration paid by IOSCO to its auditors is €9,000 for 2017 and 2016.

16 Subsequent Events

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

[1] Annex A of the Presidents Committee Resolution on the composition of the IOSCO Board (Resolution 5/2013). Nominated Board members are 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.

International Organization
of Securities Commissions

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