

# **IOSCO's Strategic Direction 2015 to 2020**



**OICU-IOSCO**

**THE BOARD  
OF THE  
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

<b>FR14/15</b>	<b>MAY 2015</b>
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## I. Introduction

This document sets out the Strategic Direction for IOSCO from 2015 to 2020 (**Section II**). It is supported by a Commentary set out in **Section III**.

IOSCO's Strategic Direction comprises the following:

- A **Mission** to 2020;
- A **Goal** intended to support accomplishing the Mission;
- **Priorities** to support achieving the Goal;
- An integrated package of **Action Plans** to deliver the Priorities.

The Strategic Direction follows a review (**Review**) conducted by a Working Group established after the IOSCO Board Meeting in Luxembourg in September 2013<sup>1</sup>. The Review was intended to set the strategic direction to 2020 building on the strategic review undertaken in 2010 for the period 2010-2015.

The Working Group published a Consultation paper (**Consultation Report**<sup>2</sup>) in December 2014 which:

- Set out background to the Review;
- Analysed IOSCO member's and stakeholders responses to a survey conducted in Q2 2014. The survey sought views on IOSCO's recent activities and performance and its work going forward;
- Proposed a Mission, Goal and Priorities to 2020;
- Proposed Action Plans and identified resources needed to implement the Mission and achieve the Goals to 2020;
- Set out options for funding.

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<sup>1</sup> The members of the Working Group are the Australian Securities and Investments Commission (chair), the Ontario Securities Commission (co-vice-chair), the Securities Commission (Malaysia) (co-vice-chair), the Securities and Exchange Commission (Nigeria), the Securities and Futures Commission (Hong Kong), , the Comisión Nacional Bancaria y de Valores (Mexico), the Financial Services and Markets Authority (Belgium), the Commissione Nazionale per le Società e la Borsa (Italy), the Comissão de Valores Mobiliários (Brazil), the Financial Services Agency (Japan), the Comisión Nacional del Mercado de Valores (Spain), the Securities and Exchange Commission (USA), The Netherlands Authority for the Financial Markets, the Financial Services Board (South Africa) and the Bundesanstalt für Finanzdienstleistungsaufsicht (Germany).

<sup>2</sup> Consultation Report M CR01/14 *IOSCO 2020 – IOSCO's Strategic Direction 2015 to 2020*.

## II. IOSCO's Strategic Direction to 2020

### 1. Mission, Goal and Priorities

**IOSCO's Mission** as agreed in 2010 will continue to 2020.

It will continue to be:

- To co-operate 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<sup>3</sup> through strengthened information exchange and co-operation 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's Goal to 2020** will be to reinforce IOSCO's position as the key global reference point for markets regulation and to accomplish its Mission by focussing on the following **Priorities**:

- (1) *Research and Risk Identification* - Identifying risks arising from securities markets, including market activities, technology and product developments, and unintended consequences of changes or proposed changes in laws and regulations;
- (2) *Standard Setting and Developing Guidance* - Improving the international regulatory framework for securities markets by developing standards and guidance which are timely, responsive to market developments and internationally recognized;
- (3) *Implementation Monitoring* - Promoting implementation of IOSCO standards through monitoring and assessment
- (4) *Capacity Building* - Addressing capacity building needs of its members, particularly in growth and emerging markets;
- (5) *Co-operation and Information Exchange* - Strengthening the exchange of information and co-operation in the enforcement of markets regulation, and in the supervision of markets and market intermediaries ; and
- (6) *Collaboration and Engagement with other International Organisations* - Ensuring

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<sup>3</sup> Securities markets are understood to include derivatives markets.

effective representation of IOSCO's views in other international organizations and effective collaboration with other standard setters within the international financial regulatory community.

## **2. Action Plans to support the Priorities**

The Priorities will – in turn – be supported by the following Action Plans.

### **(1) Research and Risk Identification**

1. The risk and research work undertaken by IOSCO should not be limited to systemic risk. IOSCO's research work should focus more broadly on risks faced by member jurisdictions to investor protection and/or fair, efficient and transparent functioning of markets arising from securities markets, including market activities, technology and product developments, and unintended consequences of changes or proposed changes in laws and regulations.
2. The risk and research work undertaken by IOSCO should be more member-driven and should incorporate input from different IOSCO Committees and the Board. The Board should approve the forward work plan for research (including the work of the Research Department (RD)) on an annual basis and monitor it semi-annually based on recommendations made by the Committee on Emerging Risks (CER). The program should pay due account to the needs of growth and emerging markets members at different levels of development.
3. Formal mechanisms should be developed through which emerging risks identified by Committees and across IOSCO are collated and analyzed by the RD and fed into the forward planning process. The CER should play a leading role in doing this, in close co-operation with the RD. The RD's role in this regard should be to support the work of the CER, the Policy Committees, the Growth and Emerging Markets Committee (GEMC), Affiliate Members Consultative Committee (AMCC) and Regional Committees (RCs).
4. The RD should continue to deliver independent staff working papers on various topics. The CER should be expected to provide guidance on the topics covered by these working papers. The topics should also be approved as part of the annual work plan approved by the Board (under recommendation #2).
5. The RD, in consultation with the CER, should make recommendations to the Board about how its data needs should be met. The RD should collaborate with IOSCO Committees to develop formal arrangements for collecting, analyzing and sharing data.
6. Research projects should continue to draw on the knowledge, expertise and work of CER members. CER members are closest to their markets and well positioned to advise, support and indeed direct this work. The CER should peer review independent staff working papers.

## **(2) Standard Setting and Guidance**

1. The IOSCO Board should rigorously apply its prioritization guidance and matrix for all policy and standard setting work and seek to limit the number of projects in which IOSCO is engaged at any one time. The Board, supported by the Committees, should focus on clarifying strategic objectives when approving mandates and ensuring the quality and value add of its work delivered within practical time frames.
2. Committees and Task Forces (TFs) should develop project mandates for all policy and standard setting projects, taking into account differences between jurisdictions (including factors relevant to the regulated area such as market size and development, legal and regulatory philosophy, etc).
3. In approving final reports, the IOSCO Board should consider whether the level of granularity in the guidance, recommendations and standards it sets out is appropriate and facilitates global implementation.
4. The Secretariat should continue to be involved in and support the work of Committees and TFs under the direction of Committee and TF Chairs to ensure the timely completion of projects and assist in coordination. Committee and TF Chairs should consult and agree with the Secretariat about their expectations of the type and range of support they need from the Secretariat, subject to overall Board guidance as needed.

## **(3) Implementation Monitoring**

1. Implementation monitoring assessments should continue to be the primary means for IOSCO to encourage implementation consistent with IOSCO Standards. All IOSCO implementation monitoring assessments should be led by the AC drawing policy experts from other IOSCO Committees and Task Forces;
2. IOSCO Board members should continue to guide and support the work of the AC by identifying priority areas relevant to IOSCO members and providing resources to support AC projects and participating in, to the extent possible, Thematic Reviews relevant to their jurisdiction;
3. IOSCO should seek to ensure that its assessment program has an appropriate balance between reviews of greater relevance to growth and emerging markets and to those of relevance to more developed markets. In designing projects and making recommendations, the AC should consider areas for technical assistance for growth and emerging market members.
4. The Secretariat and Policy Committees should allocate resources to support the AC in conducting Thematic and Country reviews and its other implementation monitoring

activity.

5. The AC should coordinate with other IOSCO Committees and members to encourage and improve implementation through discussion. Consultation with other SSBs should also be sought as needed to ensure consistency.

#### **(4) Capacity Building**

1. IOSCO capacity building activities should build on the work of the Capacity Building Resource Committee (**CBRC**) and Secretariat's collaborative efforts to execute the CBRC mandate in delivery of capacity building programs. Appropriate governance over use of member resources when designing and delivering capacity building programs should be encouraged as should consultation with the wider international financial community to harness synergies.
2. The Secretariat should work toward launching the IOSCO Secondment Register and programs to support member secondment activity by mid-2015. The Secretariat's role in this regard should be as facilitator of secondments — matching members with staff willing and able to participate in secondments with other members willing to host secondments.
3. The Secretariat should work toward the launch of the Global Certificate Program by end-2015 drawing on the experience of members in the design of similar programs and other external resources.
4. The Secretariat should work toward the design and delivery of on-line training programs to complement IOSCO's "in person" education and training initiatives. The on-line programs should be supported by the delivery of an agreed number of Workshops and Seminars in each IOSCO region based on priorities determined by RCs for that region. Members should be surveyed each year about their priorities and capacity to resource these activities. Those priorities should determine the programs to be delivered in the following year.
5. The Secretariat, working with the GEMC and the AC, should design modular technical assistance programs covering implementation of IOSCO Principles and meeting the requirements of the IOSCO MMoU. The technical assistance modules should be used as the basis for delivering technical assistance programs tailored to members' needs. The Secretariat should also work to raise awareness of other sources of technical assistance available to members.
6. The Secretariat, together with the CBRC, should work toward setting up pilot IOSCO regional capacity building hubs to better leverage IOSCO member experience, expertise and infrastructure within the regions.

#### **(5) Co-operation and Information Exchange**



1. The Secretariat and Screening Group should together continue to proactively provide technical assistance to all non-signatories in their efforts to meet the MMoU requirements.
2. The Board should work toward ensuring the EMMoU in relation to enforcement co-operation is finalized with appropriate flexible transitional arrangements and technical assistance to support implementation. Implementation of the EMMoU should be coordinated by the Screening Group.
3. The Board should consider work toward developing a Supervisory Co-operation MMoU and necessary transitional arrangements.
4. The MMoU Monitoring Group should use existing mechanisms to monitor and report to the Board as appropriate on material (including serial) non-compliance within the terms of the IOSCO MMoU. Consideration should be given to whether to enhance the Monitoring Group's ability to address repeated non-compliance by MMoU signatories.

#### **(6) Collaboration and Engagement with Other International Organisations**

1. All IOSCO's dealings with the FSB, other SSBs, as well as Regional and International Organizations should continue to be conducted in a spirit of collaboration and co-operation. IOSCO should continue to seek to put positions which are proactive and constructive.
2. IOSCO should ensure it is represented at all FSB Plenary, Steering Committee and Standing Committee meetings. To encourage coordination among IOSCO members involved in FSB activities, to the extent possible, such IOSCO members should discuss before each meeting the potential to advocate a unified position on matters touching on securities markets. These positions, however, should be clearly identified as the position of those members and not as positions of IOSCO.
3. IOSCO office-holders and representatives should ensure their official statements faithfully represent the current views of the IOSCO Board. Statements of IOSCO office-holders and representatives made to the FSB and other SSBs, including at meetings should, when possible, be shared with IOSCO Board members with a view to developing an IOSCO position.
4. IOSCO's representatives at these meetings should summarize outcomes and report back to IOSCO Board members as soon as possible and practicable after meetings.
5. The IOSCO Board should consider G20 and FSB requests to undertake work when prioritizing its forward work program.

#### **(7) Communication and Member and Stakeholder Liaison**

### Communication

1. The Board should develop a communication strategy for IOSCO to enhance its visibility. The strategy should include guidance about how IOSCO's positions and the outcomes of Board and other meetings are communicated.
2. IOSCO should continue to strengthen its engagement and exposure with international media.

### Regional Committees (RCs)

1. RCs should be recognized as a key source of input on emerging risks which should be highlighted to the CER / RD. Consideration should be given to using RCs as vehicles to co-ordinate regional input into the standard setting process and to communicate with stakeholders on regional positions. Formal mechanisms should be developed for the Board and Committees to consider RCs' input.
2. RCs should consider having standing agenda items, where appropriate, at each meeting which provide an opportunity to discuss emerging risks in the region and common policy and regulatory issues in the region. Agendas should not be limited to the provision of updates on recent IOSCO activity.
3. RCs should consider developing regional information bases through which information of common interest may be shared (e.g. regional training and capacity building programs, outcomes of enforcement activity).

### Affiliate Members Consultative Committee (AMCC)

1. The Board should continue to strengthen the collaboration with AMCC and to ensure its members have sufficient opportunities to participate in and contribute to the work of IOSCO
2. The Secretariat should allocate responsibility for ongoing liaison with the AMCC to a nominated Secretariat member.

### Other Stakeholders

1. Stakeholder participation and views should be included in conjunction with GEMC and RC meetings. This will provide stakeholders with an opportunity to participate in and contribute to the work of IOSCO.
2. RCs should consider conducting Regional Stakeholder Meetings in conjunction with RC meetings. This would provide RC members with an opportunity to engage directly with key stakeholder groups in discussions of issues of mutual interest.
3. The Board should consider holding the Annual Stakeholder Meeting in conjunction with a Board meeting. This would provide additional Board members with an opportunity to engage directly with key stakeholder groups in discussions of issues of mutual interest.
4. Consideration should be given to the design of targeted and cost effective ways of communicating with Stakeholders. Members should be asked to identify key stakeholders in each jurisdiction who could be approached to receive regular updates on IOSCO activity.
5. The Secretariat should develop mechanisms to ensure feedback from stakeholders is incorporated into IOSCO's processes — particularly IOSCO's research and risk

identification work and its policy development processes.

## (8) Supporting Growth and Emerging Markets Members

1. IOSCO acknowledges the importance of building a more inclusive organization and continuing to integrate the issues arising from growth and emerging markets into and across IOSCO's work. IOSCO should aim to ensure the needs of members from growth and emerging markets are addressed.

### III. Commentary

This section provides a high level commentary to explain the Strategic Direction.

**A Strategic Direction for our members reflecting members' views.** As a member-driven organization, the views of members are key to defining the direction IOSCO takes to 2020. It is our members the Strategic Direction is intended to support and benefit. IOSCO's task in setting the Strategic Direction is to figure out ways to ensure it accomplishes its Mission in an environment affected by the challenges identified by members and stakeholders. Challenges identified by members and stakeholders include ongoing globalisation and interconnectedness of the markets members regulate, the impact of technological innovation and the increased significance of market based finance to the global economy.

**.. evolving rather than radically changing from the 2010 Review ..** The feedback from members is clear — they see these challenges as being met by IOSCO consolidating and building on what is seen as its good work since 2010. Members want incremental improvements rather than radical change. The Mission to which IOSCO committed in 2010 as part of its last strategic review is seen as sufficiently evergreen and does not need to change. Members are also comfortable with the Mission being achieved by working to reinforce IOSCO's emerging role as the key global reference point for markets regulation.

**.. with changes in emphasis and priority to respond to emerging trends and challenges.** Members do, however, recognise a need for change to reflect challenges and emerging trends to 2020. The main changes— and how they are addressed by the Strategic Direction – are the following:

- the need for research and risk to focus more broadly on risks posed by product, technological and market developments to investors and to the fair, efficient and transparent operation of markets. This need has been reflected in the research and risk identification priority and action plans;
- the increased demand for capacity building among growth and emerging markets members. This demand has been reflected in capacity building being an explicit priority with supporting action plans;

- the increasing need to work with other international bodies in addressing global and cross sectoral issues and, with it, the need to ensure the views and concerns of members are considered and reflected in developing more integrated responses to global financial regulatory issues. This need has been reflected in a priority and action plans about collaboration with other international organisations.

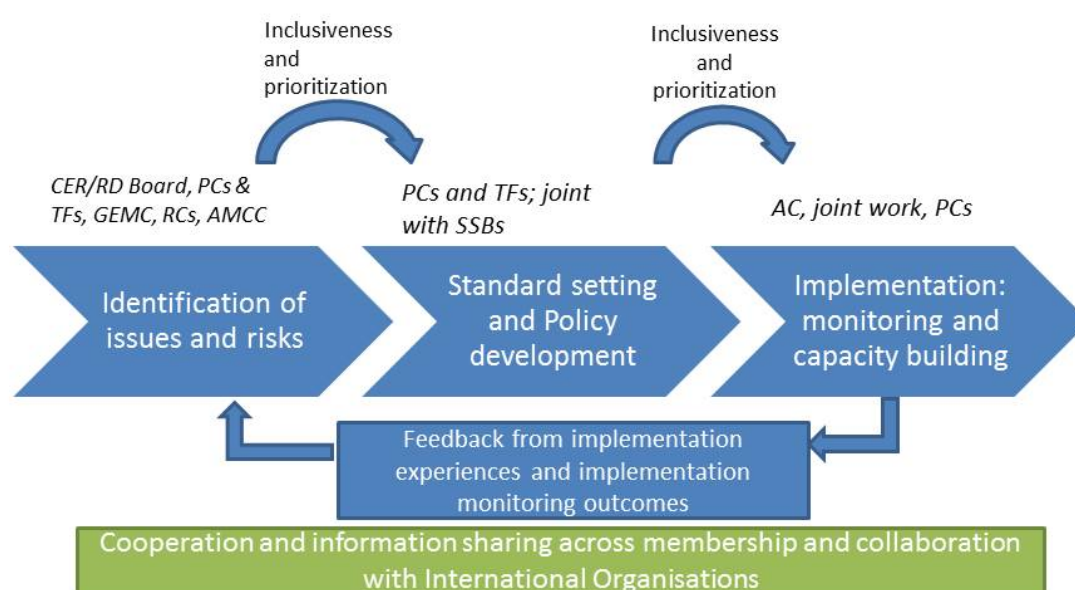
**.. while building on current programs and intensifying activities.** Member comfort with the current direction taken by IOSCO and many of IOSCO's current programs is reflected in Action Plans. Current programs are either endorsed or are subject to refinements and improvements. In most areas, there is a call for more intense effort from IOSCO. Specifically:

- On *research and risk identification*, the Strategic Direction endorses the work of the CER and the RD (including preparation of independent research papers) and their shared responsibility for IOSCO's work in research and risk identification. Action Plans are directed at developing mechanisms and processes to ensure research activity of quality meets member interests and needs;
- On *standard setting and guidance*, the Strategic Direction recognises and builds on the Board's guidance on prioritisation with mandates aiming to balance the goal of consistency with proportionality reflecting differences between jurisdictions, particularly those from Growth and Emerging Markets. The Strategic Direction recognises that standard setting and guidance is one of the main contributions IOSCO can make in responding to the challenges members will face to 2020 and contemplates more intensive effort in this area.;
- On *implementation monitoring*, the Strategic Direction recognises the pivotal role the Assessment Committee and its implementation monitoring and assessment work will play in encouraging and supporting timely and consistent implementation of IOSCO standards and policy guidance. It contemplates more intense efforts by IOSCO in this area. In doing so it aims to ensure an appropriate balance between reviews of greater relevance to growth and emerging markets and to those of relevance to more developed markets;
- On *capacity building*, the Strategic Direction recognises the positive impact of work to date on members and contemplates more intense efforts to 2020 in this area. It builds on particular programs being developed under the aegis of the CBRC, including the design of online training programs, the development of the Global Certificate Program, supporting secondment activity and the setting up of pilot IOSCO regional capacity building hubs;
- On *co-operation and exchange of information*, the Strategic Direction recognises the IOSCO MMoU has been the centrepiece of IOSCO's success and effectiveness in building co-operation and information exchange. The Strategic Direction contemplates work continuing on ensuring members sign up to the MMoU and development of the EMMoU while suggesting work is considered on a supervisory co-operation MMoU;
- On *collaboration with international organisations*, the Strategic Direction endorses and builds on practices developed in the last year to enhance the voice of IOSCO and to leverage its expertise in forums such as the FSB.

**.. as part of an integrated, interdependent package.** The Strategic Direction recognises that IOSCO will be better positioned to achieve its Mission and Goal to 2020 if its programs and activities are understood as part of an integrated approach with each program feeding into and supporting other programs. The outcomes of **research and risk identification** should feed into **standard setting and developing guidance**. That work, in turn, should be seen as being given effect to through activities intended to support and encourage implementation — specifically: **implementation monitoring** as a means to encourage implementation of the standards and guidance and **capacity building** for members, especially growth and emerging markets, and to the development of supervisory and enforcement programs to support new standards and guidance. Implementation experiences (including intended and unintended consequences of implementing standards and guidance) and the outcomes of implementation monitoring should, in turn, feedback into the identification of issues for the standard setting and policy development process to determine if any adjustments to the standards or policies are needed. Co-operation between members and collaboration with international organisations, in turn, impacts across all programs.

The links between these programs are summarised in the following Chart:

## LINKS BETWEEN IOSCO PROGRAMS



**.. with the needs and interests of growth and emerging markets members integrated into Action Plans for all priorities ..**

The Strategic Direction reflects the importance of continuing to integrate the issues arising from growth and emerging markets into and across IOSCO’s work. Members from growth and emerging markets account for over 75% of IOSCO’s members and will play an increasingly important role in driving world economic growth. The Strategic Direction has

been designed to ensure the needs of members from growth and emerging markets are addressed in each priority area and action plan. In particular:

- Action plans in relation to capacity building are intended to address the needs of a large number of emerging markets.
- Action plans on policy and standard setting include ensuring standards and guidance are designed to take into account the differing levels of development of IOSCO members.
- Action Plans on implementation monitoring seek to ensure an appropriate balance between reviews of greater relevance to growth and emerging market members and to those of relevance to more developed markets.
- Action Plans on research and risk identification ask that due account be taken of the needs of growth and emerging market members.

**.. and Regional Committees and the Affiliate Members Consultative Committee playing a pivotal role in ensuring the interests and needs of members are understood and factored into IOSCO's work.** Effective communication and coordination between these Committees other IOSCO bodies is crucial to ensuring that IOSCO's significant initiatives are informed by the views of members and that those members are aware of IOSCO's ongoing work.

**The Secretariat will have a key role in delivering the Strategic Direction.** The Action Plans envisage an important role for the Secretariat. Members generally favour strengthening the Secretariat's support role in research, support to Committees, promoting and communicating messages and a role in policy development. This is reflected in Action Plans for each Priority Area. Of particular note is the role the Secretariat should play in supporting members from growth and emerging markets. Members from these markets are at different stages of economic development, are geographically dispersed and have very different legal and regulatory frameworks. Secretariat support is seen as essential in supporting the GEMC and its leadership to identify members' needs and to assist the GEMC in the development of appropriate responses.