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IOSCO Research Department Publishes Securities Markets Risk Survey

The Research Department of the International Organization of Securities Commissions (IOSCO) today published a Staff Working Paper entitled [*A Survey of Securities Markets Risk Trends 2014: Methodology and Detailed Results*](#), which provides a detailed analysis of responses to its annual survey on market trends and emerging risks.

The views expressed in this Staff Working Paper are solely those of the IOSCO Research Department and do not necessarily reflect the views of IOSCO or its members.

The survey is an annual exercise formulated to collect the views of financial market regulators and experts globally on emerging trends that are or could be of concern. This edition of the survey was conducted in March 2014 and is based on some 200 responses. The main purpose of the survey is to gather views on emerging trends within securities markets and to help identify or highlight pockets of risk that may not be captured by normal statistical analysis or desk research. It is not an attempt to rank risks through a survey. This is the third year that IOSCO Research Department has conducted this particular exercise.

The working paper offers a synthesis of expert opinions. The main areas identified are:

- Issues considered “macro-prudential” in nature are high among the concerns of respondents, especially in the areas of banking vulnerabilities and capital flows.

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- More micro-prudential risks clustered around the areas of corporate governance, financial risk disclosure, shadow-banking activities and, especially, regulatory uncertainty.
- Responses differ by the type of respondent: Regulators see risk emanating from illegal conduct, corporate governance, financial risk disclosure and benchmarking issues, while market participants are more concerned with risk arising from the search for yield, resolution and resolvability plans, central counterparties (CCPs) and market fragmentation.
- Respondents saw very few “risks” sourced within securities markets. The role of securities markets with regard to risk was more likely to transmit and/or amplify shocks from outside than to originate risk.
- Respondents thought the fallout from banking vulnerabilities and capital flow volatility could have considerable consequences for the real economy. Concerns about trends in the housing market continue to increase.
- Over time some risk areas have attracted more attention while others have lost prominence. Sovereign debt and the global economic slowdown were leading concerns two years ago, but have declined significantly in importance as developed economies slowly return to economic growth. This shows how quickly the perception of risks can change.
- The impact of cross-border capital flows, financial risk disclosure and CCPs has drawn more attention between 2013 and 2014.
- However respondents have repeatedly and consistently cited three trends as major concerns in all three annual surveys: regulatory uncertainty; banking vulnerabilities; and volatile capital flows.
- Other noteworthy trends include an increase in the recognition that cybercrime or cyber-related issues could be a threat to systemic stability; financial risk disclosures and resolution and resolvability frameworks.

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Background to the Report:

Following the outbreak of the current financial crisis, IOSCO adopted a new strategic direction that emphasised the need for securities regulators to identify, monitor and manage systemic risks. To that end, IOSCO established a research function comprised of a Research Department at the General Secretariat and the IOSCO Committee on Emerging Risks (CER). Monitoring risk is critical to fulfilling this function. The results of this survey are one input to the annual production of the *IOSCO Securities Market Risk Outlook*, which will be published in late September 2014.

The IOSCO Research Department Staff Working Papers series can be found at http://www.iosco.org/research/?subSection=staff_working_papers.

NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, United Kingdom and the United States.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavours to promote the development and greater efficiency of

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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.

4. IOSCO aims through its permanent structures:

- 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.

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