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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
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IOSCO Issues Report on Risk Identification and Assessment Methodologies

The International Organization of Securities Commissions (IOSCO) today published a report on [*Risk Identification and Assessment Methodologies for Securities Regulators*](#), which provides a practical overview of the methods, approaches and tools that IOSCO and securities regulators have developed to identify and assess emerging and potential systemic risks.

The IOSCO Committee on Emerging Risks prepared the report as part of the organization's ongoing effort to identify, analyze, and monitor systemic risk. Following the collapse of Bear Stearns & Co. Inc. and Lehman Brothers Holding Inc. in 2008, the G20 and other international authorities agreed that securities regulators, and not just banking regulators, have a significant role in the identification of systemic risk.

Because securities markets are complex and involve a wide range of different types of intermediaries, products, and investors, the paper acknowledges that there is no *one-size-fits all* method for identifying trends, vulnerabilities and risks in these markets. Instead, it provides concrete examples of the different methods currently employed by the securities commissions who are members of the Committee on Emerging Risks.

The paper is organized around the following themes:

- Definition of Risk

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- IOSCO Risk Identification Methods
- Risk Identification Methods used by Securities Regulators
- An Analytical Framework for Assessing Systemic Risks

Identifying, analyzing, and monitoring systemic risk is still a new discipline for securities regulators. Therefore this paper should be viewed as another step in the evolutionary work performed by securities regulators in this area. The methods described in this document will continue to evolve and, consequently, this paper will need to be updated or supplemented from time to time.

The paper shows that securities regulators increasingly are pairing qualitative risk analysis with quantitative tools. This tendency includes risk dashboards that systematically track quantitative risk indicators, as well as data analytics, econometrics and research that is focused on risk analysis of products, firms and markets, as well as incentives and investor behavior.

Background to the Report:

Following the outbreak of the current financial crisis, IOSCO adopted a new strategic direction that emphasized 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 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.

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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 endeavors 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.
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.

MEDIA ENQUIRIES

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