

EUROFI 2023 FINANCIAL FORUM

September 13 – Santiago de Compostela, Spain

Keynote Speech of Jean-Paul Servais, FSMA and IOSCO Board Chair

Title: Sustainable, Digital and Non-Bank Finance: IOSCO's achievements and perspectives

Good evening everyone,

Today, I would like to **speak to you** about IOSCO's recent achievements and perspectives on 1) Sustainable, 2) Digital, and 3) Non-Bank Finance.

1/ In late June, the ISSB published their inaugural set of sustainability-related disclosure standards.

Climate change comes with significant risks and opportunities that companies must disclose, and that investors need to know about.

Most of you will know that, a few weeks later, IOSCO reached an historic milestone when we announced our decision to endorse the ISSB standards as fit for purpose for financial markets.

IOSCO's endorsement decision calls on 130 member jurisdictions, which regulate more than 95% of the world's financial markets, to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards.

A few days later, the European Commission adopted the final set of its own disclosure requirements (ESRS), which integrate the ISSB standards, in line with IOSCO's endorsement decision.

The EU may be the first regional **to adopt sustainability related disclosure requirements**, but with IOSCO's endorsement backing the ISSB standards, I am confident that many other jurisdictions will follow suit.

Sustainability-related disclosures are the starting point to ensure investors can price climate-related financial risks and opportunities on the basis of reliable, consistent and comparable information.



We anticipate up to 130,000 companies worldwide could eventually disclose sustainability-related information as informed by the ISSB Standards. But let me say this:

First: The benefits of producing these data points for investors outweigh by far the costs associated with it.

Second: This isn't a matter of doing everything, everywhere and all at once. It is a matter of starting the journey together, and with the same destination in sight.

In this respect, you can be assured that IOSCO will roll out an extensive capacity-building programme. IOSCO will also put its weight behind the development, by 2024, of high quality standards for Assurance of sustainability-related information to enhance their trustworthiness.

Looking further ahead, IOSCO will need to consider the role of securities regulators in Transition Planning and the risks of greenwashing that come with it.

Last but not least, we are making headway in delivering robust guidelines to jurisdictions on carbon markets, as carbon markets have an important role to play in the transition to net zero.

2/ Ladies and Gentlemen, how could I take the floor today without stressing IOSCO's commitment to financial stability in Non-Bank Finance?

In July, we submitted a paper on anti-dilution liquidity management tools, alongside the FSB report on structural liquidity mismatches in Open-Ended Funds, and asked for public feedback. We are now considering whether amendments are warranted in light of the comments received. And we and the FSB will finalise both reports before the end of 2023.

Besides Open-Ended Funds, let me flag two new important pieces of work on (1) Leverage and (2) Private Finance.

Tackling risks stemming from opaque leverage in NBFIs requires facing the common denominator of the LDI UK gilt crisis, the fall of Archegos, and the source of dysfunction in the LME's nickel market.



There is now a consensus that the time has come to improve our ability to identify, monitor and contain systemic risk arising from leverage in NBFI. I am pleased to say that IOSCO and its members will be contributing significantly to this forthcoming work.

As you know, we had identified Private Finance as a new priority for this term. We will publish our first report on this in a matter of days. The report serves as a checkpoint for our concerns around the growing interconnectivity of private finance with regulated public markets and the risks they pose to financial stability. This first report maps out a path forward for further work on Private Finance.

3/ Let me now turn to the issue of digital finance. In April, I told this audience that IOSCO would soon be delivering the first globally consistent framework for Crypto and Digital Assets and for Decentralised Finance.

Today, I am proud to announce that at the end of May, we published a consultation report on Crypto-Assets and last week, another one on Decentralised Finance.

Once finalised later this year, these recommendations will act as a global policy framework to address key risks to investor protection and market integrity in crypto and decentralised finance. Let me be clear, our existing standards are not relics of the past, they are just as relevant to crypto as they are to traditional finance.

Both reports will bring about significant change in the way crypto activities and Decentralised Finance arrangements operate. It will put an end to regulatory arbitrage and to the illusion of impunity.

Ladies and gentlemen,

Thank you for your attention.