



Report from the Chair of the Affiliate Members Consultative Committee (Formerly known as the SRO Consultative Committee)

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The Affiliate Members Consultative Committee (AMCC) is an important forum for IOSCO affiliate members to exchange experiences and share expertise. As such, it contributes to IOSCO discussions and supports its policy work.

Members with self-regulatory tasks promote orderly and sound capital markets through the monitoring of markets and systems, on-site inspections, and partnerships for enhancing rules, requirements and risk-based supervision. Recent changes in IOSCO's organizational structure are an acknowledgment of the AMCC's increasingly important consultative role in IOSCO's standard-setting functions.

Formerly called the SRO Consultative Committee, the AMCC was officially renamed at the 2013 IOSCO Annual Conference in Luxembourg in order to reflect better its diverse membership. AMCC is comprised of 65 members representing self-regulatory organizations (SROs) and other bodies with an appropriate interest in securities regulation.

In 2013, IOSCO underwent an important restructuring aimed at strengthening its role as an international standard setter for securities regulators. In this context, I seized the opportunity to promote an internal discussion on how best to organize the affiliate membership to reflect and complement the wider changes at IOSCO. The aim was to increase our capacity to contribute to IOSCO work, while preserving the AMCC's inclusiveness and the diversity of its members. To accomplish this, the main features of the improved AMCC structure and its channels of collaboration with IOSCO were described in a Concept Note that was approved at an extraordinary meeting in Madrid in December.

The AMCC has two working groups: the *Ahead of the Curve WG* and the *Regulatory Staff Training WG*,

which contribute to its work for IOSCO. In 2013, the AMCC also created three task-forces to provide input to IOSCO work: *Investment Funds Data*, *Cyber Threats* and *Emerging Risks*.

AMCC's recent activities

The AMCC met three times in 2013: at the mid-year meeting in Toronto in May, at the IOSCO Annual Conference in Luxembourg in September, and at a meeting in December with the IOSCO General Secretariat in Madrid. During this period the AMCC also carried out several activities that fall under the following categories:

Representation in the IOSCO Committees

At each meeting, the AMCC representatives in the IOSCO policy committees update members on the current work streams and agendas of those committees. The AMCC currently has representatives in the Committee 2 on Secondary Markets, the Committee 3 on Regulation of Market Intermediaries, Committee 5 on Investment



Management and the Committee 7 on Commodity Derivatives Markets. The Financial Industry Regulatory Authority (FINRA) assumed the leadership of two of Committee 3's projects on social media and automated advice.

Ahead of the Curve Working Group

Because of their proximity to the market, AMCC members have particular expertise on market operations and practices, enabling them to be flexible and respond quickly to market events or challenges. In this way, the *Ahead of the Curve WG* is meant to detect potential regulatory concerns at an early stage, exchange information on emerging risks and help members find solutions to problems as they arise.

Under the leadership of the Japan Securities Dealers Association (JSDA), the *2013 Ahead of the Curve Panel* engaged in discussions on several issues concerning SROs, including:

- > Enhancement of customer protection, including suitability requirements and recent initiatives to safeguard customer funds after the failure of an investment firm;
- > Information disclosure and market surveillance;
- > Alerts on new investment products and distribution of complex products; and
- > Supervision of real estate investment funds.



Training regulatory staff

The training of regulatory staff is one of the pillars of AMCC work. The *Regulatory Staff Training WG*, coordinated by FINRA, has organized six training programs, attended by over 500 representatives of more than 90 regulatory organizations from 65 different jurisdictions around the world.

The sixth edition of the seminar was held in Toronto in May 2013. The program included eight different panels, an ahead-of-the-curve panel and a keynote speech. As in past seminars, the IOSCO Objectives and Principles were discussed.

Industry roundtable

In 2013, the AMCC Chair was invited to participate in two IOSCO industry roundtables. The Chair joined the discussions with experts and other stakeholders on emerging risks in Sydney in March, and on cybercrime and financial markets in Luxembourg in September.

Meetings and Communication with IOSCO

The 2013 mid-year meeting was hosted by the Investment Industry Regulatory Organization of Canada (IIROC) and counted on the participation of the Vice Chair of the IOSCO Board, Howard Wetston. A summary of the issues discussed there was submitted to the IOSCO Secretary General.

At its September meeting in Luxembourg, the AMCC presented the Concept Note, which provided the basis for a detailed discussion on joint work plans and on the future structure of the AMCC.

After consulting with its members and the IOSCO General Secretariat, the AMCC launched task-forces to support three work streams related to the IOSCO work agenda. To better organize its work, the AMCC developed a roadmap to the next IOSCO annual conference in Rio de Janeiro. The goal was to prepare the committee's next activities and draw up a schedule to deliver the task-force work on investment funds data, cyber threats and emerging risks. At the extraordinary meeting held in Madrid, members approved an internal reorganization and the launch of the AMCC quarterly newsletter, which aims to enhance inclusiveness among a large and heterogeneous membership.

Future Activities

The AMCC scheduled its mid-year meeting and training seminar in Tokyo, Japan for April 2014, and its annual meeting during the IOSCO Annual Conference in Rio de Janeiro for September 2014. In Tokyo, the training seminar will feature ten panels with more than 20 speakers. The main focus will be on the IOSCO Principles related to the regulators, enforcement and secondary markets.

The work of the task forces will be carried out in accordance with the AMCC roadmap. Progress reports on their activities will be delivered at the annual meeting in Rio de Janeiro.

In addition, the AMCC will continue to seek specific issues where it can proactively contribute its members' expertise to discussion panels, to training and documented work, and to items on IOSCO's work agenda, such as crowd funding. The aim is to identify the challenges posed by the shifting conditions of global financial markets and suggest responses to them.

Challenges ahead for the AMCC

In the current context of rapidly evolving global financial markets, the front-line regulatory expertise of SROs is becoming increasingly important and demanding. In the last Presidents Committee meeting, the IOSCO leadership underscored the important role the AMCC plays in strengthening investor protection, enhancing market integrity and contributing to financial stability. Consequently, it invited the AMCC Chair to become an observer of the Board after September 2014.

Several challenges lie ahead, as the AMCC seeks to help IOSCO accomplish its objective of enhancing international standards. This work includes:

- > Identification and analysis of key and emerging risks in the global financial system;
- > Proactive contribution to IOSCO work and to its strategy to 2020;
- > Assistance in the implementation of IOSCO principles and the development of sound and secure global securities markets; and
- > Enhanced coordination on areas such as investor education and training.