Annual Report 2013

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

OICU-IOSCO

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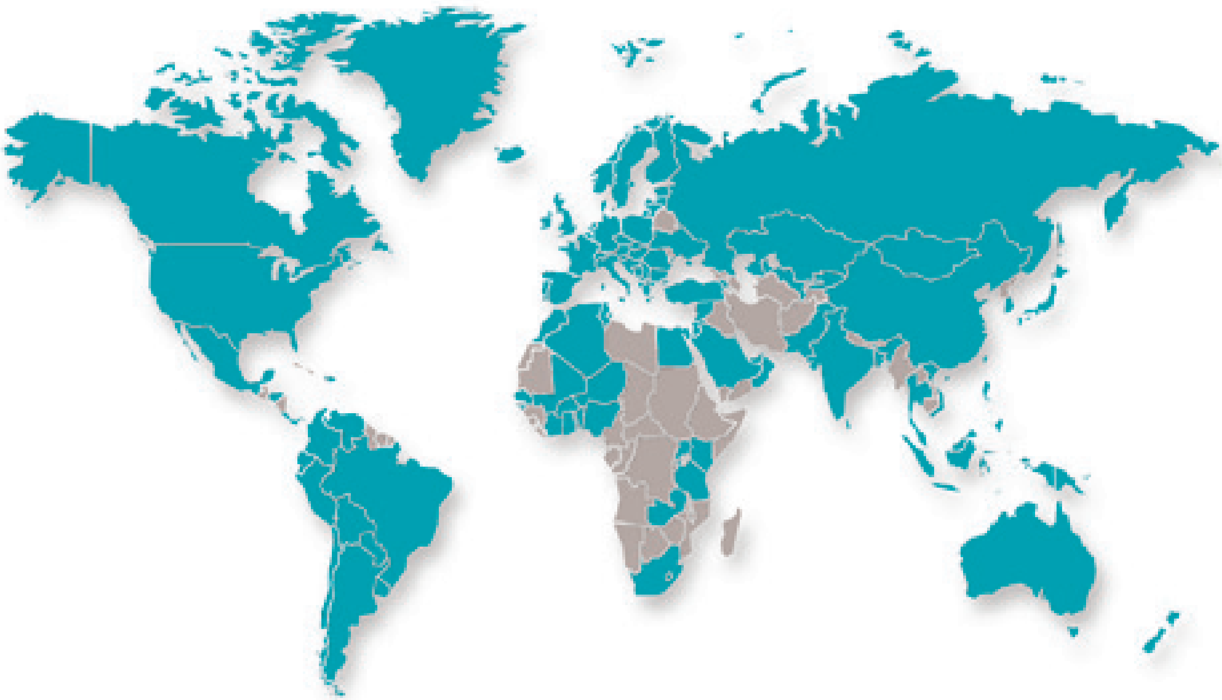
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

IOSCO OBJECTIVES

- 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.

I O S C O   M E M B E R S H I P



IOSCO MEMBERSHIP

NON-MEMBER JURISDICTIONS

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Report from the Chair of the IOSCO Board

Greg Medcraft
> Chair of the IOSCO Board
> Chair, Australian Securities and Investment Commission

This has been an important year for IOSCO. We have set in train and progressed a number of important policy, cooperation and engagement projects, several important organizational changes and a strategic review.

IOSCO has become more proactive and forward looking. I believe we are emerging as the key reference point for securities regulation. I see this reflected in our views being increasingly sought by the Financial Stability Board (FSB) and the G20, and in the growing importance of our guidance and standards. It is also reflected in the way we engage with industry and with our members – evident in the very successful Annual Conference ably hosted by the Luxembourg Commission de Surveillance du Secteur Financier (CSSF).

I want to thank IOSCO Secretary General David Wright and the General Secretariat for their important contribution to this journey. They have worked with the Management Team and the Board to help build a more inclusive and representative organization. They have helped initiate a number of new projects.

We have achieved a great deal. We have set important projects in motion. None of this would have been possible – or will be possible – without the commitment of Board members and their staff to dedicate time, resources and intellectual grunt to IOSCO. For this contribution IOSCO is enormously appreciative.

I want particularly to thank the Vice Chairs (Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Howard Wetston, Chair, Ontario Securities Commission), the Board and the Growth and Emerging Markets Steering Committee for their continuing support.

I want now to turn to what I see as our key achievements in the year 2013.

Identifying and responding to Emerging Risks

As an organization, we are thinking more about emerging risks and actively responding to what we see.

An important initiative has been the Emerging Risk Round Tables which are now embedded in our Board meetings and our Regional Committee meetings. These Round Tables are an opportunity for us to engage with industry, with academics and other experts to discuss and understand the risks and challenges we face as regulators and how we might respond – both at the national and global level. At the Board, round tables discussions have focused on cyber risks and cyber resilience, the role behavioral science can play in regulation, the opportunities and threats posed by social media and the particular issues faced by growth and emerging economies.

The round tables have challenged us to think outside the box, to think differently about our regulatory tool kit and to reflect on what IOSCO can do to bring this new thinking together at a global level.

Our work on cyber resilience, on retail investors, on long term investment and on capacity building in growth and emerging economies has produced innovative responses to these challenges. The General Secretariat has played an important role in helping to shape these responses through thoughtful and insightful papers on cyber risk, crowd funding and – most recently – corporate bond markets.

The Securities Risk Outlook published in October 2013 – the first of what will be an annual exercise - was also a fine example of the role IOSCO can play in identifying emerging and systemic risks on our regulatory perimeter. The Outlook – developed by the General Secretariat's Research Unit and the Committee on Emerging Risks – collected and analyzed the thinking of our members, academics and other experts in an effort to identify the key issues on which policy makers and regulators need to reflect.

The processes and policies IOSCO members have developed to identify systemic and emerging risks were described in the October 2013 report of the IOSCO Assessment Committee on the implementation of Principles 6 and 7 on systemic risk and reviewing the regulatory perimeter. This report showed good progress in the implementation of these Principles and identified good practices for consideration by the broader IOSCO membership.

Policy Development

IOSCO has continued to develop standards and regulatory guidance in a number of areas. We are doing so with greater speed and dexterity.

Particular achievements have been our Principles for Financial Benchmarks (published in July 2013), our Principles for the regulation of Exchange Traded Funds (published in June 2013), our work on margin requirements for non-centrally cleared derivatives (published in September 2013) and our report on retail structured products (published in December 2013). We have also issued reports on the protection of client assets (February 2013 and January 2014), trading fee models and their impact on trading behavior (December 2013) and on the valuation of collective investment schemes (May 2013).

The Principles for Financial Benchmarks, developed under the leadership of Martin Wheatley, Chief Executive of the UK Financial Conduct Author, and Gary Gensler, then Chairman of the US Commodity Futures Trading Commission, are a particular achievement. They were developed over a short nine-month period, were endorsed by both the FSB and the G20 and have been the basis for ongoing work by the FSB on the future of financial benchmarks globally.

Since the last Annual Report we have initiated and made progress on a number of projects in key policy areas. We have before us a busy and ambitious work program.

Supporting the FSB and G20 Agenda

Our contribution to the FSB and G20 Agenda continues to account for a significant part of our current work. Australia's Presidency of the G20 in 2014 has set exacting deadlines for work in a number of areas:

> OTC derivatives;

> shadow banking; and

> 'Too Big To Fail'.

We continue to contribute to each of these areas – with work on setting risk mitigation standards for non-centrally cleared derivatives, on assessing implementation of our recommendations and principles on securitization and money market funds and in developing methodologies to identify and regulate systemically important financial institutions (SIFIs) in our regulatory space.

The FSB G20 agenda is also slowly shifting, from addressing stability issues arising from the crisis towards a greater focus on economic growth. This move is driving important new IOSCO projects on:

> long term finance; and

> securitization, which is conducted jointly with the Basel Committee.

Other Policy Work

Outside of the FSB and G20 agenda, we are working on a number of important projects on key global issues. I want to touch on three of these.

The **first** is improving audit quality.

I have been concerned for some time about a deterioration in the quality of the work of auditors in my own country and globally. This is a concern shared by others on the Board.

In my view, improvements to audit quality are dependent on developing globally consistent approaches to both audit supervision and addressing the consequences of poor quality audits.

I want to thank the Netherlands Authority for the Financial Markets (AFM) for leading a Board level working group to determine how best to move ahead with these ideas.

The **second** is cyber-resilience.

This work builds on our roundtable on cybercrime at our annual conference in Luxembourg in September. That roundtable highlighted for me that the next *'black swan'* event may be a cyber-attack.

It also flagged a real opportunity for IOSCO to contribute to improving the resilience of the markets we regulate to cyber-attacks. A possible initiative is establishing a framework to manage cyber risks by:

- **identifying** and **protecting** against cyber-risks; and

- **detecting**, **responding to** and **recovering** from a cyber-attack.

I want to thank the Quebec Autorité des Marchés Financiers (AMF) for agreeing to coordinate the work of our policy committees in this area.

The **third** is cross border regulation.

In 2013 we established a Task Force led by the Securities and Futures Commission of Hong Kong (SFC) and supported by the Swiss Financial Market Supervisory Authority (FINMA) to develop a tool kit of measures to help jurisdictions regulate, the activities of foreign firms within their borders.

The aim of this work is to develop common approaches to regulating cross border activity in an increasingly globalized market place.

This work is progressing well; a survey of members was completed in late 2013 and a series of industry round tables were held in the first half of 2014 in Hong Kong, London and Washington.

We expect the Task Force to report on its work by the end of 2014 in response to the interest shown by the FSB and G20 leaders in this work.

Implementation Monitoring

The year 2013 also saw the launch of a number of projects to monitor implementation of IOSCO Principles and Standards. This reflects the increased focus of the FSB and the G20 on, and our commitment to, ensuring that standards developed in response to the crisis are implemented.

Projects have been undertaken on monitoring implementation of IOSCO's Principles for Financial Benchmarks, our 2012 recommendations on money market funds and securitization, the CPSS-IOSCO Principles on Financial Markets Infrastructure and regulatory initiatives on derivatives market intermediaries and on the timeliness and frequency of disclosure to retail investors.

Supporting our Members from Growth and Emerging Markets

I am proud to report that 2013 saw an increased focus on identifying and supporting the needs of our members of the Growth and Emerging Markets Committee (GEM and formerly known as the Emerging Markets Committee). Our GEM members account for over 75% of our membership. Their economies and markets will - in the coming decades - be the engine room of global growth. IOSCO has a critical role to play in assisting the development of capital markets in these economies that, by attracting patient capital, can support and drive real economic growth.

I want to acknowledge the important role Ranjit Singh of SC, Malaysia (as GEM Chair) and Bert Chanetsa, Deputy Executive Officer, Financial Services Board, South Africa (as GEM Vice Chair) have played in strengthening the GEM Committee as a key part of IOSCO. A strategy for the GEM Committee was agreed last year and a Steering Committee was established. Through Ranjit Singh, our emerging market members have a passionate and articulate voice at FSB Plenary meetings.

A key initiative agreed by the Board in Luxembourg in September was the establishment of a Capacity Building Resource Committee, which was given a mandate to develop and implement a strategy to fund capacity building among our GEM members. This Committee – with support from the Secretariat and the GEM Committee – is identifying the initiatives that we will ask donors from the public and philanthropic sectors to fund. These initiatives respond to the needs identified by our GEM members and will – I envisage – focus on supporting supervision, investigation and investor education.

The task ahead is challenging. I don't want to underestimate how hard it will be; but I am strongly committed to giving everything we have to get the donations we need to deliver these programs.

Co-operation

In 2013, eight authorities became full signatories to the Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information. The IOSCO MMoU provides securities regulators with valuable tools for combating cross-border fraud and misconduct. Three of the new signatories also became IOSCO members.

Our Screening Group and the General Secretariat continue to work tirelessly with members to meet the high standards we expect of signatories. In early 2014, two additional IOSCO members signed the MMoU, bringing to 101 the number of full signatories, out of a total of 124 eligible IOSCO members. The Graduated Additional Measures approved by the Presidents Committee in Luxembourg have been an important incentive for jurisdictions to sign up. These measures, which I believe are necessary, gradually restrict the influence of non-signatory members over key IOSCO policy decisions due to their limited contribution to enforcement efforts. The MMoU is the foundation on which cooperation between our members is based. Its effectiveness – and the effectiveness and impact of enforcement activity on global markets - depends on all of IOSCO´s members becoming signatories.

How we are organized

We made important organizational changes last year and began a strategic review of IOSCO for the rest of this decade.

Membership and Board changes

A number of changes were approved in Luxembourg in September that I believe will make for a more inclusive and representative IOSCO:

> Changes to the definitions of our associate and affiliate members that acknowledge the contribution and role of each of these member categories.

> Changes to the composition of the Board that will increase the number of Board members by two to 34 when they take effect in September 2014. Membership of the Board will include the largest jurisdictions and seek to achieve:

- an appropriate balance between developed and emerging markets; and
- a balanced regional representation.

The new Board will see:

- three members elected from each region;
- four members elected by the GEM Committee; and
- 18 members drawn from the largest markets.

Both the Affiliate Members Consultative Committee (AMCC) and the European Securities Markets Authority (ESMA) will have observer status.

I believe this structure is optimal. It will increase representation of our emerging markets members while also ensuring that over 80 per cent of world markets, as measured by market value, are represented.

IOSCO 2020

At its Luxembourg meeting, the Board approved the **IOSCO 2020** project. This initiative provides us the opportunity to define how we want to be seen by our members and key stakeholders by the end of the decade and to draft a strategic plan to deliver on that vision.

The Way Forward

Our challenges for the coming year will be to build on the changes described above and the good work of the past.

My priorities as Chairman will be to ensure we do the following:

1. Support our growth and emerging markets through designing and funding a sustainable capacity building program that meets our members' needs;
2. Continue to focus single-mindedly on identifying, understanding and developing appropriate responses to emerging risks;
3. Deliver and complete the projects we have initiated in a timely way; and
4. Continue our focus on monitoring implementation of IOSCO Principles and Standards.

I ask members to support the Board, the Management Team and the General Secretariat in meeting these challenges.

Thank You.

Report from the Chair of the Growth and Emerging Markets Committee
(Formerly known as the Emerging Markets Committee)

Ranjit Ajit Singh
> Vice Chair of the IOSCO Board
> Chair of the Growth and Emerging Markets Committee
> Chairman of the Securities Commission Malaysia

It is my privilege to present the Report of the Growth and Emerging Markets (GEM) Committee, my first since assuming the chairmanship of the GEM Committee in May 2013. I took on the position of the GEM Committee Chair during a time when emerging markets were the focus of global attention as international markets reacted to the expected tapering of quantitative easing in the US.

Emerging markets have continued to face bouts of market pressure and an increase in short-term volatility across a wide range of asset classes, particularly in countries where macroeconomic and financial imbalances were a prominent concern. Although the impact of these developments has varied depending on the circumstances of each jurisdiction, emerging markets as a whole have been resilient. It is observed that views remain positive on the overall outlook for emerging markets as investors seem to increasingly recognize their sustained efforts at enhancing market structures, operational efficiencies and institutional development, and at strengthening fundamentals. Nevertheless, as emerging market securities regulators, we continue to note and to monitor closely risks associated with the normalization of global monetary policy and international capital flows.

Repositioning of IOSCO's GEM Committee

A significant development that took place in 2013 during the meeting in Luxembourg was the endorsement by the IOSCO membership of the new Strategic Direction for the GEM Committee. Recognizing the importance of emerging markets in the post-crisis environment, members saw the review as necessary to provide greater focus and direction to the GEM Committee's efforts and initiatives, including promoting greater inclusiveness, strengthening channels of communication and balancing growth and implementation of regulation. This new Strategic Direction therefore centers on three major thrusts: enhancing regulatory capacity building, providing a more substantial focus on risks and vulnerabilities, and strengthening policy and development work on emerging markets.

The Strategic Direction also included the re-designation of the Emerging Markets Committee (EMC) as the Growth and Emerging Markets (GEM) Committee to better reflect the nature of the markets in which its members operate. Being the largest committee representing 75% of the IOSCO membership, the GEM Committee has a major opportunity to contribute to global discussions and to be a highly visible, effective and inclusive grouping for emerging markets. Further, the repositioning of the GEM Committee occurred at a timely juncture when IOSCO, as an organization, was also recalibrating itself as a key reference point for securities regulation, including for emerging markets.

To provide greater focus and efficiency to its functioning, the GEM Committe created a Steering Committee in November 2013 comprising 16 leading emerging market regulators. The GEM Steering Committee is central to the process of ensuring that the GEM Committee effectively achieves its strategic objectives. Members of the Steering Committee have been assigned a specific portfolio of responsibilities to drive the GEM Committee's core priorities.

Strengthening regulatory capacity building

In the context of a more connected and open market environment, a major thrust of the GEM Committee is to strengthen the capacity building needs of its members through education and training, and technical assistance. This objective becomes even more critical with enhanced cross-border activity and increased integration of emerging markets within the global financial system.

In meeting the capacity building needs and demands of its members, the GEM Committee organized four Regulatory and Market Development Workshops during the course of the year in the areas of risk-based supervision, financial market infrastructures, commodity markets and challenges in the implementation of International Financial Reporting Standards (IFRS). This was the third consecutive year that these Workshops were organized, and required the GEM Committee to work in close collaboration with the more advanced markets. The Workshops, which take on a very practical and interactive format, have garnered significant interest and participation from the GEM membership.

Following the publication of the IOSCO Report on the *Development of Corporate Bond Markets in the Emerging Markets* in 2011, the GEM Committee, together with the IOSCO General Secretariat, organized two Corporate Bond Market outreach programs in the African/Middle Eastern region and the Asia-Pacific region. The workshops in Mauritius and Sri Lanka were very well received by regulators and industry alike.

Further, the GEM Committee is working closely with IOSCO's Capacity Building and Resource Committee (CBRC) to identify and prioritize the capacity building needs of its members. This required a comprehensive survey and analysis of members' education and training, and technical assistance needs. The identification of the detailed capacity building needs of emerging markets will assist the CBRC, as it works with the IOSCO General Secretariat to develop relevant capacity building work plans, including the draft projects and the resources required for their implementation.

Intensifying the assessment of risks and vulnerabilities

Another major priority for the GEM Committee is to identify more effectively major risks and vulnerabilities within emerging markets, including the implications of these risks for global financial markets, and for emerging markets in particular. The GEM membership aims to be more forward-looking and proactive in anticipating securities market risks. We see the need to enhance cross-border surveillance and the sharing of information on market flows as paramount for enabling regulators to make more timely and thorough assessments of risks within our markets.

In this regard, the GEM Committee and the GEM Steering Committee have held a series of in-depth discussions and engagements with the IMF and the World Bank and leading global market players on emerging risks and their impact on systemic stability. I am also pleased to report that issues pertaining to emerging markets continue to be deliberated extensively by the IOSCO Board. There is a strong appreciation by the Board that emerging markets and advanced economies have become increasingly interconnected – be it from the perspective of growth, financial linkages or the impact of regulatory reform. Furthermore, the *IOSCO Securities Markets Risk Outlook 2013-14* published by IOSCO in October 2013 contains valuable discussions and insights relating to emerging markets.

I also have the privilege of representing the GEM Committee at the Plenary Meeting of the Financial Stability Board, which met twice in 2013. The discussions at these meetings are critical as emerging market issues are gaining greater prominence on the global financial agenda, thus providing an opportunity for the GEM Committee to play a role in contributing to global regulatory reform efforts and to have a stronger and more active voice in international discourse.

Prioritizing policy and development issues

The GEM Committee represents some of the world's fastest-growing economies, and includes 10 of the G-20 members. It is important therefore to ensure emerging markets have sound and effective regulation that is aligned with international standards, and promotes investor protection and market confidence. Furthermore, it is critical that issues of primary concern to emerging markets continue to be considered appropriately in global regulatory discussions, at the IOSCO Board and policy committees, as well as at the G-20 and the Financial Stability Board.

To this end, the GEM Committee has been conducting relevant policy work on regulatory issues affecting emerging markets, namely the *Financing of SMEs through the Capital Markets,* as well as joint work with the World Bank on the *Development of Mutual Funds in Emerging Markets*. These reports are expected to be published in 2014.

Through the GEM Committee, IOSCO also collaborated with the international standard-setter for the Islamic financial services industry, the Islamic Financial Services Board (IFSB), to publish a book in September 2013 on *Disclosure Requirements for Islamic Capital Market (ICM) Products*. The book is based on the discussions of a joint IOSCO-IFSB Roundtable held in Kuala Lumpur the previous year. The book examines the need for international regulatory standards and best practices relating to disclosure requirements for ICM products. In particular, it analyzes the issues, risks and challenges arising from inadequate disclosure in the area of Sukuk and Islamic collective investment schemes, and seeks ways to strengthen disclosure standards in relation to these instruments.

Recognizing the importance of capital markets in providing long-term financing to drive economic growth, I am co-chairing with the Chair of the Ontario Securities Commission, Howard Wetston, the IOSCO Board Task Force on Long Term Financing. This initiative is significant for emerging markets given their growing need for long-term financing to facilitate domestic capital market development, particularly where long-term financing may be at a relatively nascent stage. As long-term investment depends heavily on investor trust, and policy and regulatory certainty, the work is expected to provide a better understanding of the issues and the challenges facing the capital markets, and the opportunities for growth in this area, as well as how innovation can contribute towards long-term financing.

Looking ahead

As the world shifts towards more market-based financing, the significance of emerging markets is expected to grow, along with potential opportunities for capital-raising and investment in these markets. It is therefore important that we continue to adopt the ethos of inclusiveness and work in close partnership with the global regulatory community and market players in strengthening the resilience of our markets.

Report from the Chair of the Affiliate Members Consultative Committee

(Formerly known as the SRO Consultative Committee)

José Carlos Doherty
> Chair of the Affiliate Members Consultative Committee
> Chief Executive Officer,
The Brazilian Association of Financial and Capital Markets Institutions (ANBIMA)

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.


METROPOLIS

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.

Report from the Secretary General

David Wright
> Secretary General

Looking back, 2013 can be characterized as an important transitional year for IOSCO. It was a year of solid preparation, building the foundations for new challenges that are looming in the years ahead for the world's securities regulators, as financial markets swing increasingly in the direction of market and securities based financing. These sweeping changes are spurred, inter alia, by the ramping up of capital requirements in the banking system and the gradual clamping down on excessive leverage. Hence in 2013 we began to see the emergence of a new IOSCO policy agenda with emphasis on improving the functioning of capital and securities markets: developing securitization, long term infrastructure and SME financing, developing corporate bond markets, improving audit quality, and dealing with crowd funding and cybercrime.

These new trends are driving IOSCO to deepen its understanding of global securities market risks and to coordinate policy work well in advance of the possible materialization of such risks, both macro and micro, in all regions of the world. This means building better securities data bases, ensuring more timely data and drawing more on the expert knowledge of market participants, academics and regulators. The publication in 2013 of IOSCO's widely praised first *Risk Outlook* analyzing and determining the key securities markets risks we face was a major step forward.

IOSCO´s Work in a Changing Financial Landscape:

Our international policy work has required continuous inputs into a wide range of the Financial Stability Board´s work on reducing systemic risk. Examining the risks posed by the non-bank, non- insurance significantly important financial institutions (NBNI SIFIs), relaunching securitization work with the Basel Committee on Banking Supervision, our excellent cooperation with the Committee on Payment and Settlement Systems (CPSS) on key financial market infrastructures and their resolution, margin requirements for non-cleared derivatives are just a few examples. The reality is, however, that the key areas of global regulatory reform (*too-big-to-fail* and cross-border resolution, OTC derivatives, shadow banking and capital) all have some way to go before regulatory completion. More emphasis needs to be placed on improving corporate governance and behavior in financial firms, encouraging profound changes in corporate culture, developing strong ethical principles with customers placed first backed up with much tougher sanctions, individual responsibility and jail terms for the worst offences.

The IBOR scandals, apparent forex and commodity market manipulation and mis-selling scandals all point to the importance of restoring trust in financial markets as a matter of urgency. IOSCO's pioneering work on benchmarks led by the US Commodity Futures Trading Commission (CFTC) and the UK Financial Conduct Authority was an exemplary global regulatory response in this respect. So, too, was our evolving work on credible deterrence.

As we focus more on how capital markets can play a bigger and more dynamic role in financing the global economy, it has been very encouraging to sense that our members, including all those from emerging market economies, recognize that there are major benefits to developing local securities markets with good regulation and supervision, and that these can result in sustainable increases in long term economic welfare. The challenge for IOSCO is to support these changes by supplying our members who need help with first class educational and technical assistance programs. The Growth and Emerging Market (GEM) Committee has carried out first class work on clarifying the priority needs.

We did not witness in 2013 the big step forward in capacity building that we wanted; indeed the idea of an IOSCO Foundation foundered. But recent decisions by the Board to accept a temporary increase in contributions from the permanent Board members in 2015 for capacity building purposes will be a significant catalyst to get these vital programs underway. I very much welcome this development. The IOSCO General Secretariat will seek to broaden the financing for capacity building as much as possible, working with IOSCO's leadership and management teams.

The remarkable IOSCO Multilateral Memorandum of Understanding moves from strength to strength. As of June 2014, we had 102 members who participate in it, and many of those who remain outside are making strenuous efforts to become signatories, often by changing their laws. Discussions are underway to extend the MMOU further, which is very desirable, though the transitional provisions will need careful planning. The Committee on Enforcement and Exchange of Information (C4), the Screening and Monitoring Groups, and the Secretariat's MMOU team deserve great credit for driving this work forward. Today there are some 2,500 exchanges of information a year under the MMOU for enforcement purposes.

Preparing IOSCO for the Future

Organizationally IOSCO has made significant progress in the last 18 months. Membership and voting rights have been resolved; the IOSCO Board's composition and working modalities were agreed; and more profound work on prioritization is underway. In the Rio de Janeiro annual conference in late September 2014 a new IOSCO Board will be constituted and will decide on the new committee Chair and Vice-Chairs for the next two years.

We also began preparing our future in 2013 with the launching of the 2020 Survey to define what sort of IOSCO the members want. What changes and resources are necessary for IOSCO to tackle the new challenges it faces? I hope we will be ambitious and forward looking. Early results from the survey show that dealing with the rapid growth in cross-border activities in the years ahead is the top challenge identified in the responses. The survey underscores the long term importance of the new cross border task force chaired by Ashley Alder, the Chair of the Hong Kong Securities and Futures Commission. It is evident we will need to develop new forms of cooperation and assistance to reduce cross border conflicts of law.

This snapshot underplays the vast range of IOSCO's growing activities. But none of them would happen without the dedication and commitment of IOSCO's leadership and its members and the staff of the IOSCO General Secretariat. I owe a particular debt of gratitude to Greg Medcraft, the current Chair of IOSCO, for all his commitment, energy and support, and to our two Vice-Chairs, Howard Wetston and Ranjit Singh, the Chair of the GEM Committee. The IOSCO Board is working well and the committee and task forces are putting in much effort. The AMCC has been strengthened by José Carlos Doherty's work as Chair.

The IOSCO General Secretariat now has almost 30 people coming from 20 nationalities, which I consider to be an important asset. I greatly appreciate that about a third of our staff are generously seconded from our members. My team has worked very hard and I am deeply grateful to all of them. My deputy Tajinder Singh has been outstanding.

After more than 35 years of international work I still hold strongly to the view that few experiences are more satisfying and gratifying than when large numbers of people from very different backgrounds and countries try their best to cooperate and define together their common interests. This is never easy, but so essential. IOSCO has a growing global role. Working together, spreading best practice, acting together wherever possible in mutual respect, and supporting the efforts of all our members to develop their securities markets, narrows differences and can significantly help economic development. We have a unique opportunity to make this happen in the years ahead.

Activities of IOSCO's Working Committees in the Year

The IOSCO Board was constituted at the 2012 Annual Meeting in Beijing. It subsumed the activities of the IOSCO Technical Committee, the Executive Committee and the Emerging Markets Committee Advisory Board. By commissioning a single integrated body to take on the governance, standard-setting and development functions of the organization, IOSCO sought to become more effective at achieving its objectives of protecting investors, maintaining fair, efficient and transparent markets, and of identifying and mitigating systemic risks.

The streamlined governance structure has made the organization more efficient and inclusive, enabling it to convey better its messages to stakeholders and the wider public.

The IOSCO Board reviews the regulatory issues facing international securities markets and coordinates practical responses to those concerns. The work is carried out by eight IOSCO policy committees, each one working in one of the following policy areas, under the guidance of the Board:

> **Issuer accounting, auditing and disclosure;**
> **Regulation of Secondary Markets;**
> **Regulation of Market Intermediaries:**
> **Enforcement and Exchange of Information;**
> **Investment Management;**
> **Credit Rating Agencies;**
> **Commodity Derivatives Markets; and**
> **Retail Investors**

The Board also oversees the activities of the Growth and Emerging Markets Committee (GEM, formerly known as the Emerging Market Committee). The GEM Committee seeks to develop and improve the efficiency of emerging securities markets through the introduction of minimum standards, the provision of training programs for members' regulatory staff and facilitating the exchange of information, technology and expertise. In May 2012, IOSCO merged the policy and standard-setting work of the GEM and the former Technical Committee, to create the policy committees. These committees all share the common goal of ensuring that markets are fair, efficient and transparent.

The move enhanced the effectiveness of the committees and gave emerging market members a bigger say in IOSCO´s policy work, underscoring the growing importance of the emerging market membership within the organization.

In addition to the policy committees, several task forces were entrusted in 2013 with examining relevant developments in the financial markets. They included the following:

> The Board-level Task Force on Financial Benchmarks
> Task Force on OTC Derivatives Regulation (OTCDTF)
> Task Force on Unregulated Markets and Products (TFUMP)
> Task Force on Unregulated Financial Entities (TFUFE)
> Task Force on Cross-Border Regulation
> Task Force on Long-Term Financing
> BCBS-IOSCO Working Group on Margining Requirements

The IOSCO Work Program

Committee 1 on Issuer Accounting, Auditing and Disclosure.

Committee Chair:
Julie A. Erhardt (US SEC)

Committee 1 is devoted to improving the development of accounting and auditing standards, and enhancing the quality and transparency of the financial information

that investors receive from listed companies and financial institutions. IOSCO considers the accuracy, integrity and comparability of financial accounts to be essential for maintaining investor confidence and reestablishing a stable international financial system.

Committee 1 monitors and supports the work of the international accounting standard-setting bodies. This involves monitoring the projects undertaken by the International Financial Reporting Standards Foundation (IFRS Foundation), and observing the IFRS Interpretations Committee (IFRIC), the IFRS Advisory Council and other IFRS advisory groups.

The IFRS Foundation is the legal entity under which the International Accounting Standards Board (IASB) operates. The mission of the foundation, through its IASB standard-setting body, is to develop a single set of high quality global accounting standards. Committee 1 contributes to the standard-setting work of IASB through its involvement in the IASB work streams and its comment letters. Its aim is to provide the IASB with input that reflects the perspective of securities regulators. IOSCO also is a member of the Monitoring Board (MB) that oversees the IFRS Foundation.

IOSCO believes that international audit standards contribute to high quality audits, and are therefore essential for ensuring the transparency and efficiency of securities markets. To that end, Committee 1 monitors the activities of two of the International Federation of Accountant´s standard setting bodies: the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). It also provides input to the IOSCO members who participate in their respective Consultative Advisory Groups (CAGs).

In response to a string of corporate scandals at the turn of the century, IOSCO became a founding member of the Monitoring Group (MG) of regulatory organizations that created the Public Interest Oversight Board (PIOB). Together, the MG and the PIOB were charged with overseeing the implementation of the 2003 reform of the standard-setting and compliance activities of the International Federation of Accountants.

IOSCO is an official observer at the International Forum of International Audit Regulators (IFIAR) Plenary meetings. Committee 1 represents IOSCO in this capacity and provides updates to, and liaises with, IFIAR on relevant IOSCO work streams.

The IFRS Foundation / IOSCO IFRS Statement of Protocols

In September 2013, IOSCO and the IFRS Foundation agreed on a set of protocols under which the two organizations would deepen their cooperation in support of their shared commitment to the highest global standards of financial reporting. The Statement of Protocols built upon more than a decade of cooperation between IOSCO and the IFRS Foundation, and identifies four additional areas for mutually supportive work. Under the protocols, the two organizations will deepen their cooperation in both the development and implementation of IFRS on a globally consistent basis.

In March 2012, the Financial Stability Board called on IOSCO to undertake new work streams related to external audits of issuer financial statements. As a result, in 2013 Committee 1 worked on the following three mandates:

> *Global Standard-Setting Work on Auditor Communications:* This mandate deals with the information that auditors include in their reports on financial statements.

> *Auditor Reporting to Prudential Regulators*: This mandate focuses on the information on financial institutions that external auditors provide to prudential supervisors and regulators.

> *Experiences with IOSCO Audit Firm Contingency Planning Paper:* This mandate calls on IOSCO to report on the contingency plans prepared by audit firms in the case of a possible disruption in their delivery of audit services to public companies.

Committee 2 on Regulation of Secondary Markets.

Committee Chair:
Susanne Bergsträsser (Germany, BaFin)
Committee Vice Chair:
Norman Muller (South Africa, FSB)

Committee 2 looks at recent developments in the structure of global capital markets and financial market infrastructure, and analyzes how they are affected by, and contributed to, the financial crisis.

At its summit meeting in 2010, the G20 requested that IOSCO *develop recommendations to promote markets´ integrity and efficiency to mitigate the risks posed to the financial system by the latest technological developments*.

During 2013, Committee 2 published two policy reports responding to the G20 request:

1) Developing Tools for Addressing the Technological Challenges to Effective Market Surveillance

In April 2013, Committee 2 issued the final report on *Technological Challenges to Effective Market Surveillance: Issues and Regulatory Tools,* which provides an overview of current market surveillance regimes and identifies the main challenges that technological developments pose to these regimes. The report makes final recommendations to help market authorities develop the regulatory tools for addressing these challenges, particularly with respect to:

> improving surveillance capabilities on a cross-market and cross-asset basis; and

> enhancing the usefulness of data collected for surveillance purposes.

This report recommends new regulatory tools for market authorities to deal with the challenges they face, including audit trail or surveillance data that permit the reconstruction of trades and order books; a single reporting point for transactions within a jurisdiction; and unique entity identifiers.

2) Issues Raised by Changes in Market Structure

In December 2013, Committee 2 published the final report on *Regulatory Issues Raised by Changes in Market Structure*, which makes four recommendations aimed at promoting market liquidity and efficiency, price transparency, and investors´ execution quality in a fragmented environment.

Committee 2 concluded that securities regulators should strike an appropriate balance between a market structure that promotes competition among markets, and one that minimizes the potentially adverse effects of fragmentation on market integrity and efficiency.

The final report outlined the current state of play in market structures in most IOSCO jurisdictions. It recommended that regulators should monitor the impact of fragmentation on the following:

- market integrity and efficiency
- availability and timeliness of information
- order handling rules and best execution
- access to liquidity

Other mandates: Trading Fee Models and their Impact on Trading Behavior

In December 2013, Committee 2 published the final report *Trading Fee Models and their Impact on Trading Behavior*, which provides a comprehensive overview of trading fees and trading fee models around the globe and how they influence trading behavior.

In recent years, securities regulators in many jurisdictions have introduced regulatory frameworks that foster competition among trading venues. Advances in technology also have played a critical role in enhancing competition among trading venues by reducing the cost of establishing new trading venues and providing access to new pools of liquidity.

Trading is now fragmented with multiple venues trading the same instruments and competing, both within a jurisdiction and across jurisdictions where securities are cross-listed. Competition has provided investors and intermediaries with greater choice as to where and how they trade. These venues compete with trading systems and technology, market models and trading fees, including trading fee structures.

The data collected did not provide enough clear evidence for IOSCO to draw definitive conclusions about the impact of trading fees or trading fee models on trading behaviors. But the process gave ISOCO insight into the structure of the fee models used globally and the standards used often by regulators when performing oversight.

Committee 2 received two new mandates in 2013:

Robustness of Electronic Trading Systems and Markets; Committee 2 will examine the regulatory and trading venue requirements and policies that are in place in different jurisdictions to mitigate the risks associated with electronic trading and to diminish trading disruptions.

Business Continuity and Recovery for Trading Venues; The purpose and scope of the project is to identify the measures and arrangements in place at trading venues to restore their *critical* functions should a disruption occur.

Committee 3 on Regulation of Market Intermediaries.

Committee Chair:
Stephen Po (Hong Kong SFC)
Committee Vice Chair:
Hasnat Ahmad (SEC Pakistan)

The financial crisis underscored how financial innovation and the growing complexity of financial products helped conceal from customers the associated investment risks. The collapse of Lehman Brothers in mid-September 2008 raised serious questions about the extent to which intermediaries failed to assess the suitability of structured investment products.

To address this problem, Committee 3 in January 2013 issued a final report on *Suitability Requirements with Respect to the Distribution of Complex Financial Products*, which sets out principles related to the distribution by intermediaries of complex financial products to retail and non-retail investors.

The report forms part of IOSCO's ongoing drive to promote investor protection. It introduces nine principles covering areas related to the distribution of complex financial products by intermediaries, including the classification of clients, disclosure requirements, and compliance function and internal suitability policies and procedures.

The demise of Lehman Brothers also highlighted the importance of client asset protection regimes. The bank´s collapse spurred regulators to improve the supervision of intermediaries holding client assets. In particular they examined how to transfer or return client assets in default, resolution or insolvency scenarios, on a cross-border basis.

To address this issue, Committee 3 published in February 2013 the consultation report *Recommendations Regarding the Protection of Client Assets.* The report provides guidance to regulators aimed at enhancing their supervision of intermediaries holding client assets by clarifying the roles of the intermediary and the regulator in protecting those assets. In January 2014, Committee 3 published the final report, which includes eight recommendations aimed at helping regulators improve the supervision of intermediaries holding client assets.

Proposed Methodologies to identify systemically important non-bank financial entities

The Financial Stability Board and IOSCO collaborated in 2013 to develop assessment methodologies for identifying global, non-bank systemically important financial institutions (SIFIs) in the securities sector. As part of this work Committee 3 identified a set


OICU-IOSCO
OICU-IOSCO
International Organization of Securities Commissions
Roberto Rueda

of indicators for systemically important non-bank market intermediaries; the Committees on Investment Management and the Task Force on Unregulated Financial Entities (TFUE) worked on developing a methodology aimed at assessing the systemic significance of investment funds.

In developing those methodologies, the FSB and IOSCO based their work on the following principles:

(i) The overarching objective in developing the methodologies is to identify non- bank, non-insurer financial entities whose distress or disorderly failure, due to their size, complexity, systemic interconnectedness or lack of substitutability, would cause significant disruption to the global financial system and economic activity across jurisdictions.

(ii) The general framework for the methodologies seeks to be broadly consistent with methodologies for identifying global systemically important banks (G-SIBs) and insurers (G-SIIs), while adequately reflecting the specificities of both market intermediaries and the asset management sector.

In January 2014, the FSB and IOSCO issued for public consultation the report *Assessment Methodologies for Identifying Non-bank Non-insurer Global Systemically Important Financial Institutions* (NBNI G-SIFIs).

Global Capital Standard

Committee 3 contributed in 2013 to a project of the Joint Forum - comprising IOSCO, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors - to create a uniform global capital standard within the banking, insurance and securities industries. The aim is to eliminate gaps and inconsistencies between prudential frameworks, thus reducing regulatory arbitrage and competitive inequalities across jurisdictions, and to facilitate the convergence of prudential standards over the long term.

The capital adequacy standards should be designed to enable securities firms to absorb losses and wind down their businesses without generating losses for their customers or the customers of other broker-dealers, and without disrupting the orderly functioning of the financial markets.

In March 2014, Committee 3 published for public consultation *A Comparison and Analysis of Prudential Standards in the Securities Sector,* which highlights similarities, differences and inconsistencies among the different prudential frameworks employed by securities commissions in different jurisdictions. IOSCO´s objective is to update its 1989 Report on Capital Adequacy Standards for Securities Firms.

Other Mandates

During the year, Committee 3 prepared surveys for its work on three different mandates: *Business Continuity and Recovery Planning*, *Social Media* and *Automated Advice.*

- The mandate on Business Continuity builds upon the 2006 Joint Forum report on *High level principles for business continuity,* as well as on recent events challenging business continuity measures, with the aim of developing a range of useful tools to tackle the issue.

- The mandate on social media was proposed in response to technological developments that affect how market intermediaries interact with their customers.

- The mandate on *Automated Advice* responded to concern over how the use of automated advice might be changing the way intermediaries interact with customers.

Another mandate on crowd-funding was proposed by C3, which began work in 2013 on a survey to determine the current and proposed regulatory initiatives regarding crowd-funding in different jurisdictions.

Committee 4 on Enforcement and Exchange of Information

Committee Chair:
Georgina Philippou (UK FCA)
Committee Vice Chair:
Errol Hoopman (Dubai FSA)

The IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU) Screening Group

Co Chair:
Georgina Philippou (UK FCA)
Co Chair:
Jean-François Fortin (Québec, AMF)

IOSCO believes that enforcement cooperation among regulators is essential to attain effective global regulation and robust securities markets around the globe.
Committee 4 and the Screening Group seek to implement global enforcement cooperation under the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the

Exchange of Information (MMoU), the international standard for cooperation and information exchange. Securities regulators around the world use the MMoU to combat the cross-border fraud and misconduct that can weaken global markets and undermine investor confidence. It sets out specific requirements for the exchange of information, ensuring that no domestic banking secrecy, blocking laws or regulations prevent the exchange of enforcement-related information among securities regulators

In 2010, IOSCO asked all its ordinary and associate members with primary responsibility for securities regulation in their jurisdictions to become signatories by 1 January 2013.

In February 2013, IOSCO published the list of members who failed to meet the deadline for signing the MMoU (at that time 30), as a way to encourage non-signatory members to take the necessary measures for signing. IOSCO adopted in September 2013 the first of a series of measures that gradually restrict the opportunities of non-signatory members to influence key IOSCO decisions due to the limited support they can provide IOSCO´s enforcement efforts. The measures also were aimed at encouraging national governments and parliaments to adopt the measures that support securities commissions in their efforts to comply with the MMoU.

The following are the graduated additional measures:

- *From 30 September 2013*: All outstanding non-signatory members will be restricted from nominating candidates from their organization for election or appointment to leadership positions.
- *From 31 March 2014*: All outstanding non-signatory members in leadership positions will be asked to step down.
- *From 30 June 2014*: The participation of non-signatory members in IOSCO Policy Committees will be suspended.
- *From 30 September 2014*: The voting rights of all remaining non-signatory members will be suspended.

At the same time, IOSCO reiterated its commitment to provide technical assistance and political support to those non-signatories who require it in order to sign the MMoU. During the course of 2013, eight authorities became new signatories to the MMoU: The Reserve Bank of Malawi was approved to sign the MMoU in February 2013, before publication of the list. It became a signatory in March.

Following publication of the list, four other members became signatories by the end of 2013 and were removed from the list:

- *Securities and Exchange Commission, Trinidad and Tobago (June 2013)*
- *State Securities Commission, Vietnam (September 2013)*
- *Securities and Exchange Commission, Bangladesh (December 2013)*
- *Financial Services Commission, Gibraltar (December 2013)*

In addition, 3 authorities became new members of IOSCO and signed the MMoU in 2013:

> Financial and Capital Market Commission, Latvia (February 2013)

> Qatar Financial Markets Authority, Qatar (February 2013)

> Institut Nacional Andorra de Finances, Andorra (September 2013)

These additions brought to 99 the total number of signatories to the MMoU as of 31 December 2013 out of a total of 125 eligible IOSCO members. Of the 26 Members on the IOSCO list of non-signatories at that time, most of them were committed to addressing the issues that prevented them from complying with all the MMoU requirements. The Financial Services Authority of Indonesia became the 100th signatory in January 2014.

The increase in the number of signatories in recent years has led to a sharp increase in cross-border cooperation, enabling regulators to investigate a growing number of insider traders, fraudsters and other offenders. In 2006, a total of 520 requests for assistance were made pursuant to the MMoU; the annual figure increased to 1,600 in 2010, to 2088 in 2011 and to 2,374 in 2012.

In 2013 the Screening Group started a new project entitled Enhanced MMoU to *consider if a further standard beyond the existing IOSCO MMOU should be developed, taking into account developments in markets and supervisory and enforcement practice*s. To foster greater collaboration among signatories, IOSCO believes it is an opportune moment to consider raising the bar in terms of baseline MMoU standards, without compromising the principles that have made the MMoU such a valuable tool for IOSCO and its members. The IOSCO Board decided to initiate a discussion on how best to identify these new enhanced baseline standards for the MMoU and how best to implement them. An Enhanced MMoU Working Group was created to that effect.

New Mandate of Deterrence Regimes

Recent scandals at some of the world's largest financial institutions have had a profound impact on the world's capital markets. Public confidence in capital markets and the financial system has been seriously eroded, and the effectiveness of regulators to eradicate and punish egregious misconduct has been called into question.

In light of the public demand for tougher sanctions to deter this type of market misconduct, the IOSCO Board approved in April 2013 a mandate for Committee 4 to conduct a review of the core elements of a credible deterrence framework for securities regulation, including strategies and good practices. Taking into account the wide divergence in international sanctions regimes, the mandate for this work envisions, where appropriate, the development of a set of founding principles upon which credible deterrence frameworks could be built.

Committee 4 published in April 2013 an **addendum** that updates a 2000 IOSCO report on *Investigating and Prosecuting Market Manipulation*. The 2000 report described the basic concepts underlying market manipulation and the tools used by different jurisdictions to detect, investigate and prosecute market manipulation. The addendum reflects the developments in technology over the past decade that have transformed market structures and influenced the way market manipulation occurs. It also reviews the new methods used by regulators to detect and investigate market manipulation.

Committee 5 on Investment Management

Committee Chair:
Natasha Cazenave (France, AMF)
Committee Vice Chair:
Xiaodong Tang (China, CSRC)

Principles for the regulation of Exchange Traded Funds (ETFs)

Committee 5 published in June 2013 the final report *Principles for the regulation of Exchange Traded Funds (ETFs*), which provides a comprehensive set of nine principles intended to guide the regulation of ETFs and foster industry best practices in relation to these products. The dynamic growth in ETFs attracted the attention of regulators concerned about the potential impact of ETFs on investors and on the broader marketplace. Moreover, much of that growth was spurred by the ETFs´ move to diversify into new and innovative products.

The nine principles address issues related to ETF classification and disclosure to investors (section 1), as well as issues related to the structuring of ETFs (including principles for the management of conflicts of interest and of counterparty risks).

Collective Investment Schemes (CIS)

Committee 5 continued its work on collective investment schemes (CIS) during 2013.

In March, IOSCO published the final report on *Principles of Liquidity Risk Management for Collective Investment Schemes*. These principles provide high-level guidance for the valuation of CIS and reflect developments since 1999, such as the increase in the use of complex and hard to value assets. The objective is to ensure that CIS will be in a position to meet redemption obligations and other liabilities.

In May, Committee 5 issued the final report *Principles for the Valuation of Collective Investment Schemes,* which identifies comprehensive policies and procedures for the valuation of CIS. It recommends general principles for the development and implementation of such policies, as a means to ensure that CIS asset valuations are not distorted.

Proposed Methodologies to identify systemically important non-bank financial entities in the securities area

Committee 5 worked with the Financial Stability Board and Committee 3 on the Regulation of Market Intermediaries to develop an assessment methodology for identifying global, non-bank systemically important asset management entities in the securities sector. (See the section on the Committee 3 on the Regulation of Market Intermediaries).

Other Mandates

At its February 2013 meeting in Madrid, Committee 5 agreed to design a framework for the liquidation of all types of investment funds, not just systemically important funds, with a view to ensuring the fair treatment of investors. The committee plans in 2014 to undertake a review of IOSCO´s 2004 *Report on Elements of International Regulatory Standards on Fees and Expenses of Investment Funds,* which deals with issues such as disclosure of fees and expenses to the investor, transaction costs and performance fees. The objective of the review is to identify standards that need to be updated to reflect both market and regulatory changes. Other projects for 2014 include reviewing the best practices for custody institutions, with particular regard to the safe-keeping of client assets, which has come under greater scrutiny following the 2007-2008 financial crisis and several corporate collapses.

The work on custodian institutions is aimed at complementing Committee 5's work on the protection of client assets. In February 2013, it published *Recommendations Regarding the Protection of Client Assets* for public consultation. The final report, issued in January 2014, provides guidance to regulators on how to enhance their supervision of intermediaries holding client assets by clarifying the roles of the intermediary and the regulator in protecting those assets.

Committee 6 on Credit Rating Agencies

Committee Chair:
Randall Roy (US SEC)
Committee Vice Chair:
Tien-Mu Huang (Chinese Taipei SFB)

In 2013, Committee 6 analyzed the provisions of *The Code of Conduct Fundamentals for Credit Rating Agencies* and recommended revising the CRA Code, which was first published in 2004 when few jurisdictions had laws governing the activities of CRAs.

The IOSCO CRA Code is intended to offer a set of robust, practical measures as a guide and a framework for CRAs' efforts to protect the integrity of the rating process. It seeks to ensure that issuers and users of credit ratings, including investors, are treated fairly, and to safeguard the confidential material information they receive from issuers.

The CRA Code was later revised in 2008 after the outbreak of the global financial crisis to include significant disclosure provisions that addressed concerns about the role of CRAs and their management of potential conflicts of interest.

In 2012, IOSCO agreed to revise the IOSCO CRA Code to reflect that CRAs are now supervised by regional and national authorities. The goal is to create an updated IOSCO CRA Code that works in harmony with CRA registration and oversight programs, and that continues to operate as the international standard for CRA self-governance. Committee 6 members and several large and small CRAs located in various jurisdictions responded to surveys for the project. A Committee 6 working group analyzed each provision of the IOSCO CRA Code in light of the survey responses.

The Board published in January 2014 the Consultation Report *Code of Conduct Fundamentals for Credit Rating Agencies*, which proposes significant revisions and updates to the current IOSCO code of conduct for CRAs.

Supervisory Colleges for Credit Rating Agencies,

The wide geographic dispersion of internationally active CRA affiliates poses a challenge to supervisors, each of whose perspective is often limited to the CRA activities in each of their jurisdictions.

To address this issue, IOSCO issued in July 2013 a final report on *Supervisory Colleges for Credit Rating Agencies.* The report recommends establishing supervisory colleges for internationally active CRAs, and provides preliminary guidelines on how to constitute and operate them. The aim of a CRA college is to enhance the effectiveness of a supervisor's risk assessment and oversight of internationally active CRAs by facilitating information exchange and cooperation among them. The first Supervisory Colleges were established in November 2013.

Committee 7 on Commodity Derivatives Markets

Committee co-Chair:
Sarah Josephson (US, CFTC)
Committee co-Chair:
David Lawton (UK, FCA)

Principles for Oil Price Reporting Agencies

In October 2012, Committee 7 issued its final report on *Principles for Oil Price Reporting Agencies* (PRAs), which sets out principles intended to enhance the reliability of the oil price assessments that are referenced in derivative contracts and subject to regulation by IOSCO members.

The final report was the culmination of work that began in November 2010, when the G20 requested a report on how the oil spot market prices are assessed by PRAs. The mandate responded to growing concerns that the way oil prices were set and published made them vulnerable to manipulation in both physical and derivatives markets. The report was prepared by Committee 7, in collaboration with the International Energy Forum (IEF), International Energy Agency (IEA) and the Organization of Petroleum Exporting Countries (OPEC).

The final report called on the PRAs to implement the principles by October 2013. It also stipulated that IOSCO was to review implementation of the PRA Principles by June 2014. To that end, C7 prepared a progress report for the G20 meeting in September 2013 based on a self-assessment questionnaire completed by the PRAs. The

responses indicated the PRAs had made a significant effort and devoted material resources to the implementation of the principles. Committee 7 sent out another questionnaire to interested parties in December 2013 aimed at gathering further information on how PRAs are meeting the principles. In 2014, IOSCO plans to draw on the conclusions of external audits and stakeholder responses to the questionnaire to complete the final report on the state of implementation, which will be submitted to the G20 Summit in November 2014.

Further Evaluation of IOSCO Principles for Commodity Derivatives Markets

Following the publication of the IOSCO *Principles for the Regulation of Commodity Derivatives Markets* (commodity derivatives principles)[1] in September 2011, IOSCO carried out an implementation review of these principles, which was published in October 2012[2] in response to the request of the G20 leaders in June 2012 at the Los Cabos Summit.

Subsequently, the Finance Ministers' Moscow Summit Declaration in February 2013 and the G20 Leaders' Summit Declaration in St Petersburg in September 2013 called for monitoring, on a regular basis, of the proper implementation of the commodity derivatives principles.

In 2014, IOSCO plans to make an implementation review of these principles through a survey and report back to the G20 Summit in November 2014.

The Impact of Storage Infrastructures on Derivatives Market Pricing

In September 2013, the IOSCO Board handed Committee 7 a mandate to examine the role of storage infrastructure on maintaining the integrity of the price formation process of physically delivered commodities, on regulated derivatives markets of IOSCO members.

In 2014, the Committee 7 Storage Sub-Committee is expected to develop a questionnaire that will be circulated to the industry with a press release. An update will be provided to the IOSCO Board summarizing key points from the questionnaire, followed by a full report at the end of 2014.

Committee 8 on Retail Investors

Committee Chair:
Howard Wetston (Ontario, OSC)
Committee Vice Chair:
Leonardo Pereira (Brazil, CVM)

Established in June 2013, the Committee 8 on Retail Investors has a primary mandate to conduct IOSCO's policy work on retail investor education and financial literacy; its secondary mandate is to advise the IOSCO Board on emerging retail investor protection matters and to conduct investor protection policy work as directed by the Board. Committee 8 seeks to bring investors' perspective and cognitive capabilities to the Board's attention to ensure they are taken into account.

First work-stream – developing a strategic framework

During its inaugural conference call on 29 July 2013, Committee 8 agreed that as a first step it would develop a strategic framework to guide IOSCO's investor education and financial literacy agenda going forward. This first mandate on the Strategic Framework for Investor Education and Financial Literacy was approved by the Board by written procedure on 29 November 2013.

The purpose of the project is to establish the strategic direction of IOSCO's investor education and financial literacy efforts. The deliverable will be a framework document that:

- describes IOSCO's niche (relative to other agencies) with respect to investor education and financial literacy for retail investors;
- identifies initial topic areas for future work streams that will help retail investors improve their comprehension skills and facilitate investor protection; and
- identifies insights from behavioral studies and research on how investors use information and make decisions for consideration in the development of investor education and financial literacy programs and delivery mechanisms.

The framework document will conclude with a section setting out current practices of effective investor education and financial literacy programs as identified by Committee 8 members.

The goal is to finalize the framework in spring 2014.

Future work-streams

During the 27-28 January 2014 meeting, Committee 8 members shared several ideas for new projects or work streams under Committee 8´s primary mandate on investor education and financial literacy.

A small working group was created to discuss future work streams to advance the committee's secondary mandate of emerging investor protection matters.

1 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD358.pdf
2 http://www.iosco.org/library/pubdocs/pdf/IOSCOPD393.pdf

Task Forces

Board Level Task Force on Financial Market Benchmarks

Task Force co-Chair:
Gary Gensler (US, CFTC)
Task Force co-Chair:
Martin Wheatley (UK, FCA)

Background and mandate

The recent investigations into attempted manipulation of benchmarks brought the issue of benchmark integrity squarely into the regulatory spotlight. In September 2012, IOSCO established a Board-level Task Force to identify and consider benchmark related issues (including transparency, methodology, governance, oversight and factors to be considered in transition to an alternative benchmark); and develop principles to support the quality and resilience of benchmarks. The Task Force was co-chaired in 2013 by Martin Wheatley of the UK Financial Conduct Authority and Gary Gensler of the US Commodity Futures Trading Commission.

A consultation report setting out risks related to benchmark setting, and soliciting information to develop the principles was published on 11 January 2013. Feedback was received formally through 54 consultation responses, as well as through an industry roundtable in London attended by 60 different stakeholder groups. Additional regional and bilateral stakeholder engagement was also held.

The Task Force prepared a near final set of principles that reflected industry feedback and the views of Task Force members. These near final principles were published in April 2013 for a second-round consultation period of one month.

The final report *Principles for Financial Benchmarks* was published on 17 July and then submitted to the G-20 meeting in September 2013. The IOSCO principles have been endorsed by the G20 and FSB as the global standards in financial benchmarks.

Structure and scope of the principles

The report included 19 principles on:

> Governance: to protect the integrity of the Benchmark determination process and to address conflicts of interest;

> Benchmark quality: to promote the quality and integrity of Benchmark determinations through the application of design factors;

> Quality of the methodology: to promote the quality and integrity of methodologies by setting out minimum information that should be addressed within a methodology. These principles also call for credible transition policies in case a benchmark may cease to exist due to market structure change; and

> Accountability mechanisms: to establish complaints processes, documentation requirements and audit reviews.

The principles provide a framework of standards that might be met in different ways, depending on the specificities of each benchmark. In addition to a set of high level principles, the framework offers a subset of more detailed principles for benchmarks having specific risks arising from their reliance on submissions and/or their ownership structure.

In September 2013, the FSB Official Sector Steering Group (OSSG) asked IOSCO to carry out an implementation review of LIBOR, EURIBOR and TIBOR against the IOSCO Principles. IOSCO constituted a Review Team in early October 2013 under the leadership of the UK FCA, the Australian ASIC and the US CFTC to conduct the review work.

In 2014, IOSCO will provide a report on the implementation review of LIBOR, EURIBOR and TIBOR to the FSB OSSG, which will finally be submitted to the G20 summit in November 2014.

Liaison and cooperation with other bodies

The Taskforce has collaborated with other related international initiatives, including the European Commission’s consultation on the regulation of indices, ESMA’s consultation on benchmark setting processes and, the BIS Economic Consultative Committee’s work on reference rate practices. It also draws on the work conducted by IOSCO Committee 7 on oil price reporting agencies, and codes of practice developed by the industry.

Task Force on OTC Derivatives Regulation

Task Force co-Chairs:
Kevin Fine (Ontario, OSC)
Sujit Prasad (India, SEBI)
Brian Bussey (US SEC)
Warren Gorlick (US CFTC)
Tom Springbett (UK FCA)

In a March 2013 report to the IOSCO Board, the Task Force on OTC Derivatives highlighted the importance of determining whether the new rules on OTC derivatives achieve their attended effect and, if so, to disseminate the best practices.

The Task Force began work on a report in the third quarter of 2013 that analyzes the potential impact of post-trade transparency on the Credit Default Swap (CDS) market. The project entailed conducting a survey of market participants who use publicly available OTC derivatives transaction data. It also required soliciting input from CDS market participants to gauge how post-trade public transparency in the CDS market may affect the market and activities of its participants.

Task Force on Unregulated Markets and Products (TFUMP)

Task Force co-Chair:
Greg Medcraft (Australia, ASIC)
Task Force co-Chair:
Edouard Vieillefond (France, AMF)

Retail Structured Products

IOSCO published in December 2013 the final report on *Regulation of Retail Structured Products*, which provides a toolkit outlining regulatory options that securities regulators may find useful for regulating retail structured products. The toolkit was developed with the goal of enhancing investor protection in light of the growing enthusiasm of retail investors for these complex financial instruments.

Task Force on Unregulated Financial Entities (TFUFE)

Task Force co-Chair:
Nicoletta Giusto (Italy, CONSOB)
Task Force co-Chair:
Ana Duarte (UK FCA)

The Task Force published its second IOSCO hedge fund survey in October 2013. The aim of the IOSCO survey is to gather data from hedge fund managers and advisers about the markets in which they operate and their trading activities, leverage, funding and counterparty information. The exercise forms part of IOSCO's efforts to support the G20 initiative to mitigate risk associated with hedge fund trading and traditional opacity.

The survey entails gathering internationally consistent data for the assessment of potential systemic risks from hedge funds. Regular monitoring by securities regulators of systemic risk indicators/measures, such as size, interconnectedness and substitutability, is important for building a time series of data. This helps regulators detect trends in the global hedge fund industry and provides invaluable insight into any potential systemic risks that hedge funds may pose to the global financial system.

The survey also seeks to facilitate the exchange of consistent and comparable data among relevant regulators for the purpose of:

> facilitating international cooperation regarding possible systemic risks in this sector;

> providing a forum for the discussion of potential regulatory options if they are required; and

> gaining a better insight into the global hedge fund industry.

Going forward, IOSCO will continue to promote the collection of comparable hedge fund data among regulators with the aim of fostering an internationally consistent approach to measuring risks and improving data quality and reliability.

Task Force on Cross-Border Regulation

Task Force Chair:
Ashley Alder (Hong Kong, SFC)
Task Force Vice Chair:
Anne Héritier Lachat (Switzerland, FINMA)

In June 2013, IOSCO established The Task Force on Cross-Border Regulation to identify and consider cross border regulatory issues and tools. Cross-border regulatory tools describe the legal and supervisory tools used by a jurisdiction to regulate, oversee, or otherwise determine the extent of foreign entity activity in their jurisdiction. The mandate of the task force is to study, consider and describe cross-border regulatory tools with a view to:

> Developing a tool kit (and common nomenclature) about regulatory options for use by IOSCO members;

> Describing issues and experiences with the use of those techniques; and

> Laying a foundation, if appropriate, for developing guidance for a coordinated use of the tool kit – as part of an effort to promote the best interests of investors and foster fair and efficient global securities markets.

The work of the Task Force strengthens IOSCO's role as a forum for seeking solutions to cross-border regulatory issues affecting the securities markets. In 2013, the Task Force conducted a survey among members to gather information on their experiences, and the challenges and costs associated with the use of cross-border regulatory tools.

In 2014, the Task Force will hold three industry roundtables in Hong Kong, London and Washington DC to discuss some of the issues raised in the survey, learn about some of the specific challenges faced by industry due to cross-border regulation and gather general views on IOSCO's possible role in this space.

Based on the survey and industry roundtables, a consultation paper seeking further feedback from IOSCO members and industry will be drafted and issued in 2014. This work is aimed at helping mitigate the possible adverse effects of regulatory inconsistencies on cross border activity in securities markets.

Task Force on Long-Term Financing

Task Force co-Chair:
Howard Wetston (Ontario, OSC)
Task Force co-Chair:
Ranjit Ajit Singh (Malaysia, SC)

IOSCO created a Task Force on Long-Term Financing in December 2013, underscoring the important role capital markets play in supporting long-term financing in both emerging and developed economies. This work is particularly critical following the G20's recent call for measures to facilitate domestic capital market development and improve the intermediation of global savings for productive long-term investments.

Howard Wetston and Ranjit Ajit Singh, Vice Chairs of the IOSCO Board, are leading IOSCO's work in this area. The next IOSCO Annual Conference in Rio de Janeiro in September 2014 will be based on the theme *Market Based Financing for Global Economic Growth – A Forward Looking Approach.*

Joint Work

The Joint Forum

The Joint Forum was established under the aegis of IOSCO, the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors to deal with issues common to the banking, securities and insurance sectors. Its membership is comprised of an equal number of senior bank, insurance and securities supervisors. The International Monetary Fund, the European Commission and the Financial Stability Institute have observer status.

In 2013, the Joint Forum published three reports:

> *Mortgage insurance: market structure, underwriting cycle and policy implications*, which examines the interaction of mortgage insurers with mortgage originators and underwriters. The report makes recommendations for regulators that seek to reduce the likelihood of mortgage insurance stress and failure in tail events.

> *Longevity risk transfer markets: market structure, growth drivers and impediments, and potential risks*, which examines the policy challenges posed by longevity risk - the risk of paying out on pensions and annuities longer than anticipated.

> *Point of Sale disclosure in the insurance, banking and securities sectors*, a consultative report that identifies and assesses differences and gaps in regulatory approaches to point of sale disclosure for investment and savings products across the insurance, banking and securities sectors. It proposes a number of recommendations to assist policymakers and supervisors in developing or modifying their disclosure regulations in this area.

BCBS-IOSCO Working Group on Margining Requirements

In 2011, the G20 Leaders agreed to add margin requirements on non-centrally cleared derivatives to the reform program and called upon the Basel Committee on Banking Supervision and IOSCO to develop, for consultation, consistent global standards for these margin requirements.

On 2 September 2013, the BCBS and IOSCO released the final framework for margin requirements for non-centrally cleared derivatives. Under the globally agreed standards, all financial firms and systemically important non-financial entities that engage in non-centrally cleared derivatives will have to exchange initial and variation margin commensurate with the counterparty risks arising from such transactions. The final requirements have been developed taking into account feedback from two rounds of consultations as well as a quantitative impact study that helped inform the policy deliberations.

Following the release of the final framework, the Basel Committee on Banking Supervision and IOSCO plan to set up a monitoring group to evaluate the margin requirements in 2014.

IOSCO and CPSS joint work

In April 2012, IOSCO and the Committee on Payment and Settlement Systems (CPSS) issued the *Principles for Financial Market Infrastructures* (PFMIs). Members of both organizations committed themselves to adopting the 24 principles and the five responsibilities included in the PFMIs, in line with G20 expectations.

Full, timely and consistent implementation of the PFMIs will be fundamental to ensuring the safety and soundness of key financial market infrastructures and to support the resilience of the global financial system. In addition, the PFMIs play an important part in the G20's mandate that stipulates all standardized OTC derivatives should be centrally cleared. Global central clearing requirements reinforce the importance of strong safeguards for, and consistent oversight of, derivatives central counterparties (CCPs).

In April 2013, IOSCO and CPSS began the process of monitoring the implementation of the PFMIs including both the PFMIs and the relevant responsibilities for authorities. The IOSCO-CPSS monitoring process is intended to promote the consistent implementation of the PFMIs. The monitoring process has three levels:

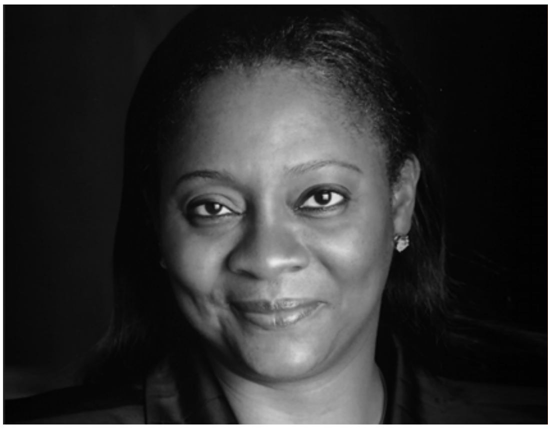
> Level 1: Whether jurisdictions have completed the process of adopting the legislation and other policies implementing the 24 Principles for FMIs and four of the five Responsibilities for authorities within the regulatory framework that applies to FMIs.

> Level 2: Whether the adopted measures are complete and consistent with the Principles and Responsibilities.

> Level 3: Whether there is consistency in the outcomes arising from the implementation of the Principles and Responsibilities.

In August 2013, CPSS-IOSCO published a report on the first Level 1 assessment of jurisdictions' progress in implementing the PFMIs: Updates to the Level 1 assessments will be conducted periodically to show progress made by jurisdictions in achieving full implementation.

CPSS-IOSCO published a consultative report on the *Recovery of financial market infrastructures* (FMIs) for public consultation on 12 August 2013, and received more than 30 comments. A final report is expected in 2014.



Report from the Chair of the Africa/Middle-East Regional Committee (AMERC)

Arunma Oteh

> Chair of the Africa/Middle-East Regional Committee
> Director General,
Securities and Exchange Commission, Nigeria

AMERC countries experienced mixed economic conditions in 2013. Sub-Saharan Africa continued to enjoy economic growth, as the region´s average inflation rate fluctuated between high single digits and low double digits, an improvement over recent years. The World Bank expects the region to be among the fastest growing economies in the world. Its gross domestic product (GDP) was bolstered by robust growth in both domestic investment and productive capacity, and was projected to end 2013 with growth of 4.9%.

In the Middle East, region-wide political tensions hindered economic recovery and growth, and continue to be a major concern. The World Bank says economic growth is slowing, while inflation, unemployment and underemployment are rising in several key nations of the Middle East.

AMERC Work and Activities

The AMERC region in 2013 continued to press for increased representation and a stronger voice on the new IOSCO Board.

AMERC's argument for a bigger say was based on a decision taken by the Growth and Emerging Markets Committee (GEM, then known as the Emerging Market Committee) at its Annual Meeting in Chile in 2012. There the GEM asked for greater representation of its members on the IOSCO Board and/or policy committees, commensurate with their growing weight within the IOSCO membership.

Let me express my appreciation to the IOSCO Board for its inclusive policy and for granting additional Board seats to AMERC. South Africa's election as Vice Chair of the GEM Committee at its meeting in Panama in May 2013, and the election of the Capital Market Authority, Saudi Arabia, to the IOSCO Board, also gave more visibility to AMERC.

During the period, AMERC held/attended the following meetings:

> 30th AMERC Annual Conference and Meeting, Dubai 18-19 February 2013.

> 38th IOSCO/31st AMERC Annual Conference and Meeting, Luxembourg. 15 – 17 September 2013.

> The Mauritius Financial Services Commission (FSC) and US Securities and Exchange Commission (US SEC) Training Program in Mauritius, 5-8 August 2013.

> IOSCO AMERC Corporate Bond Markets Outreach Program, Mauritius.

> IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure meeting, 21- 24 October, Mauritius.

> IOSCO Board meetings in Ontario and Australia.

The 30th AMERC Annual Conference was held in Dubai, the United Arab Emirates, from 17 to 19 February 2013. It examined the challenges of Risk Based Supervision (RBS). In a lively panel discussion, delegates were unanimous in the view that flexibility is critical in RBS as it is not a one-cap-fits all prescription.

The 31st AMERC meeting held on the sidelines of the 38th IOSCO Annual Conference/Meeting in Luxembourg enjoyed a large turnout of members, including the new affiliates from the region, i.e., the Nigerian Stock Exchange (NSE), the Union of Arab Securities Authorities (UASA) and the Johannesburg Stock Exchange (JSE).

The meeting provided a perfect venue for welcoming the new members and for sharing our concerns regarding the just approved Graduated Additional Measures, which are designed to encourage non-signatory IOSCO members to sign the IOSCO Multilateral Memorandum of Understanding on cooperation and the exchange of information. Many members who had not yet qualified to become MMoU signatories expressed concerns over their future in IOSCO, as the measures gradually seek to limit the participation of non-signatories in IOSCO policy work and leadership roles.

The forum also debated the issue of *Corporate Governance and Securities Regulation*. Mr Japhet Katto, former CEO of Capital Markets Authority, Uganda, made a presentation on corporate governance practices in Uganda, which resonated well with members at the meeting. Given that poor corporate governance practices at exchanges and listed companies continued to be a concern, members agreed to explore the topic further at subsequent meetings.

The continuous quest for best regulatory practices, and market development and capacity building drove AMERC to organize various training programs during the period. I am happy to acknowledge the commitment and outstanding efforts of the Financial Services Commission (FSC), Mauritius, in hosting the following training programs:

> FSC and US SEC Training Program in **August 2013**

In collaboration with the US SEC, the FSC hosted a Regional Training Program on *Effective Oversight of Capital Markets: Compliance, Examinations, Investigations and Prosecutions of Securities Fraud and Abuse*. The objective of the training was to build the capacity of members in these specific areas. This provided a platform for a series of discussions, case studies and an exchange of ideas on best practices. Delegates came from 14 countries, including Mauritius.

> IOSCO Africa/Middle East Regional Committee Corporate Bond Markets Outreach Program. **October 2013.**

This was a program developed and promoted by the GEM Committee, following publication of the document *Development of Corporate Bond Markets in the Emerging Markets* in November, 2011.

> IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure Meeting (CI) **November 2013.**

FSC of Mauritius also hosted the IOSCO Committee 1 on *Issuer Accounting, Audit and Disclosure* during the meeting from 21 to 24 October 2013. Thirty three jurisdictions, including Canada, Australia, Brazil, Chile, China, United States of America, Spain, Ghana, and Hong Kong, among others, attended. Five international accounting firms–PricewaterhouseCoopers, Deloitte, Ernst and Young, KPMG, and BDO were also in attendance.

Communications

We continued to intensify our communications strategy by sharing information through the *AMERC Quarterly Review* (a quarterly bulletin), an effective medium to educate and inform our members of developments in IOSCO and within the region. Four editions were published in 2013 and our members have come to appreciate its usefulness.

Secondment

AMERC continues to support the work of IOSCO through secondment of its staff to the General Secretariat. Nigeria and South Africa made contributions in this respect. The exercise is found to be mutually beneficial both to the General Secretariat and for capacity building and technical training of staff from contributing jurisdictions.

IOSCO Policy Committees

Our presence was also felt in IOSCO Policy Committees, where our members made contributions to committee assignments. These committees included Committee 2 on Regulation of Secondary Markets, Committee 3 on Regulation of Market Intermediaries, Committee 5 on Investment Management, Committee 7 on Derivatives Market and Committee 8 on Retail Investors, among others.

Surveys

Our members gave priority to participating in IOSCO surveys. We participated fully in the GEM Survey on Capacity Building in which AMERC members expressed their strong preference for Education and Training as an important priority and need.

Specific Regional Issues

Although AMERC members are operating in an increasingly challenging environment, we have continued to remain focused. A harsh political and social environment and tough economic challenges continue to confront us, often exacerbating the risks inherent in the region. During our meetings, we raised and debated issues regarding the paucity of relevant market data, underdeveloped bond markets; equities-dominated markets; illiquidity; limited and unsophisticated instruments and other common features of our markets.

Following the bitter lessons of the financial meltdown, a number of jurisdictions have drafted (some are work-in-progress) five-to-ten year strategic plans aimed at fostering economic growth and development, and increasing global competitiveness. Among such countries are Nigeria, Saudi Arabia, Malawi, Egypt and Kenya.

Planned Activities

We remain committed to encouraging those of our members who are yet to qualify as signatories to the IOSCO MMoU to do so before the graduated measures take full effect. We will continue additional graduated measures to provide all the necessary support we can to enable them to overcome the impediments that have hindered their progress so far.

Our 32nd Annual meeting, to be hosted by the Securities and Exchange Commission, Zambia, in 2014, is expected to bring together financial experts from specialized global financial institutions, including the International Financial Corporation (IFC). The theme is *Balancing Development and Emerging Regulatory Issues*. The IFC will make the lead presentation on *Supporting Development of Emerging Capital Markets through Issuance of Local Currency Denominated Bonds: Successes and Challenges*. Panel discussions will feature sub-themes, such as *Innovations in Bonds Markets*.

We will continue to build capacity and gain leverage through various- on-going IOSCO programs, including education and training, and technical assistance. I will continue to encourage our members to participate fully in IOSCO events when feasible. The AMERC region has high potential for economic growth and expansion. Hopefully this will enable countries such as Cameroun, Zimbabwe and Botswana, among others, to prepare to become IOSCO members.

Report from the Chair of the Asia-Pacific Regional Committee (APRC)

Ashley Alder
> Chair of the Asia-Pacific Regional Committee
> Chief Executive Officer of the Securities and Futures Commission (SFC), Hong Kong

Under the leadership of the Securities and Exchange Board of India (SEBI) and the Securities and Futures Commission (SFC) of Hong Kong, the Asia-Pacific Regional Committee (APRC) paved the way in 2013 for strengthening regulatory cooperation and establishing a stronger Asian voice. In June 2013, the APRC sent a letter to the European Union (EU) on the recognition of Asia Pacific central counterparties (CCPs). The letter and the EU response to it represent just one example of how APRC members can exert their influence by acting collectively on matters of common interest.

Asia Pacific capital markets are already significant on a global level. But they need to expand further to ensure that market financing diversifies and develops as an important driver of sustainable economic growth.

As the only regional body of regulators responsible for the health and development of capital markets in Asia Pacific, the APRC is entrusted with pursuing these objectives while seeking to foster larger, deeper and more resilient markets in the region.

Two APRC meetings were held in 2013: in New Delhi, India, on 30 April and in Luxembourg on 15 September. At the New Delhi APRC meeting, SFC Hong Kong assumed the Chairmanship from SEBI India.

APRC Meeting on 30 April 2013 in New Delhi, India

Private sector representatives engaged in a discussion with regulators on regulatory inconsistencies affecting Asia. The APRC Enforcement Database was also launched under the aegis of the SEBI chairmanship.

The APRC discussed issues arising from recognition of Asian CCPs under the European Market Infrastructure Regulation (EMIR). CCPs, both EU-based CCPs and non-EU CCPs, looking to provide services for EU-registered institutions were required to seek recognition with the European Securities and Markets Authority (ESMA). This policy would affect CCPs based in India and Hong Kong, as well as other APRC jurisdictions such as Singapore, Australia, Japan, China and Korea. The issue grew more important as the deadline of 15 September 2013 for CCPs to submit applications drew near. Hence it was decided that the APRC would take up the matter with the European Commission (EC). As Chair, I sent a letter to the EC on behalf of the APRC and its members on 7 June 2013, voicing our collective concerns about the recognition of Asia-Pacific CCPs under the EMIR.

APRC meeting on 15 September 2013 in Luxembourg

Following the Luxembourg APRC meeting, a follow-up letter incorporating APRC members' collective views on the same issues was sent to EU Commissioner Michel Barnier on 22 November 2013.

This correspondence has been one of the most significant regional initiatives championed by the APRC.

APRC members were also consulted on the top five issues and challenges facing each member as a market regulator five years after the outbreak of the global financial crisis. The objective was to identify areas of common concern or where jurisdictions could share experiences.

The responses highlighted the significant differences between developed and emerging markets. In particular, emerging markets were concerned about such issues as building capacity, deepening capital markets, increasing liquidity, and the role of global standards, etc. More developed jurisdictions were concerned about the extraterritorial aspects of US and EU OTC derivatives regulation, the globalization of markets and financial innovation and complexity.

These discussions reiterated the importance of having more advanced jurisdictions share their experiences, so that growth markets can learn from them when developing their own rules and frameworks.

APRC members were also given the opportunity to provide suggestions on topics of interest for the industry roundtable session and other discussions at the following APRC meeting.

In terms of regulatory collaboration and capacity building in the region, APRC members specifically discussed establishing a single or consolidated portal of communication for APRC. The portal would be an extension of the APRC Digest and Enforcement Database, and could also include a secondment register.

Members' views and suggestions were sought on ways to improve capacity building within the APRC prior to the next meeting, including practical issues such as how to fund the initiative and who would administer it, as well as the difficulties of implementation etc. Their views were shared at the Hong Kong APRC meeting in January 2014.

Report of the Chair of the European Regional Committee (ERC)

Carlos Tavares
> Chair of the European Regional Committee
> Chair, Comissão do Mercado de Valores Mobiliários, Portugal

The IOSCO European Regional Committee (ERC) currently comprises 51 IOSCO members from the European region (49 ordinary members and two associate members). Members discuss topics of interest to the region, and consider issues under discussion at the leading IOSCO committees. As ERC Chair, I participate at the IOSCO Board meetings, together with the two ERC representatives elected to the IOSCO Board. This collaboration facilitates the ERC´s work, while providing invaluable input to Board discussions.

In late 2013 the European Commission was invited to join the ERC, after it was upgraded from an affiliate to an associate member of IOSCO, under a recent amendment to the IOSCO By-laws.

ERC's activities in 2013, specific issues faced by ERC members, and challenges ahead

The ERC held three meetings throughout 2013: in Lisbon (March 7), in Madrid (June 12) and in Luxembourg (September 15), the latter on the occasion of the IOSCO Annual Conference.

The IOSCO Strategic Review 2010 - 2015 reinforced the role of regional committees within IOSCO. ERC members were routinely provided with information during 2013 on key issues pertaining to the projects and activities of IOSCO committees and task forces. ERC members had the opportunity to discuss issues of relevance to the committee itself and to the wider organization, including the Board. ERC members seek to consider important issues in advance of Board meetings, in order to contribute to Board discussions when deemed appropriate.

The IOSCO General Secretariat provided regular updates on the G20 and FSB work streams, as well as on IOSCO work, including OTC Derivatives, Financial Benchmarks and new mandates, most notably regarding cross-border regulation and credible deterrence.

The Board also regularly informed the ERC of its discussions on issues concerning the IOSCO Strategic Direction Review 2010-2015, including:

- proposed structure and approach to the IOSCO Capacity Building Resource Fund for financing activities in the areas of technical assistance and education and training;
- proposals on the Board composition and on its working modalities post 2014. The latter was discussed in detail by the ERC, in a *discussion paper*.

There were also informative briefings by the IOSCO General Secretariat with regard to the IOSCO 2020 project and related preparatory work for the next five years, as part of the 2015-2020 Strategic Review. Key issues included the future role of the IOSCO Growth and Emerging Markets Committee within IOSCO, and proposals for rationalizing and prioritizing IOSCO's work.

Regarding the IOSCO *Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information* (MMoU), the IOSCO General Secretariat provided regular briefings to the ERC on the status of implementation by the IOSCO membership with a focus on ERC members. The ERC also discussed with the General Secretariat the proposed IOSCO Resolution on the additional graduated measures for IOSCO members who fail to sign the IOSCO MMoU. The resolution was adopted by the Presidents Committee in September 2013.

At the end of last year, 43 of the ERC's 49 eligible members were full MMoU signatories, and another had been accepted by the MMoU Decision-Making Group to sign the MMoU. Three members remained listed on Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions, but are committed to becoming signatories. Another member was invited to be listed on Appendix B, though it had not yet formally confirmed its commitment to seek the legal authority necessary for signing. Moreover, the IOSCO MMoU Screening Group was reviewing at end 2013 a MMoU application from an ERC member.

Throughout the year, members discussed topics of particular relevance to the European Region and exchanged information on relevant regulatory developments in ERC jurisdictions. Discussions focused on emerging risks and trends in members' financial markets with a view to ascertain possible policy consequences for the European region and enrich Board discussions. An objective of the ERC is to ensure that the experiences and views of its members on financial risks are taken into account by the IOSCO Board and policy committees.

Several speakers – members and non-members - made pertinent presentations, which gave rise to fruitful discussions among ERC members. The issues covered included:

- the FSB Shadow Banking toolkit to address shadow banking risks (by entities and products);
- the supervisory challenges posed by the lack of available data for supervising securities lending, money market funds and non-bank SIFIs;
- the role of securities regulators vis-a-vis market prudential regulators / disclosure in recovery and resolution of banks;

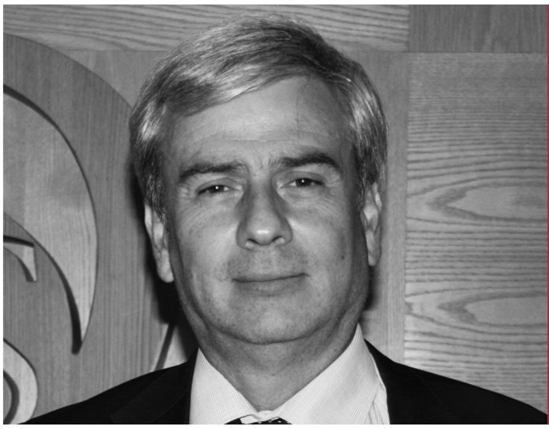
- crowdfunding frameworks in Europe and in the USA; and
- the role of regulation in current financial markets.

The ERC also contributed its views on emerging risks to *The IOSCO Securities Markets Risk Outlook*, developed jointly by the IOSCO Committee on Emerging Risks (CER) and the IOSCO Research Department. Members discussed the report, which is aimed at providing an overview of some of the major trends and risks in securities markets, including the low interest rate environment, the search for yield, collateral management in a stressed funding environment, over-the-counter derivatives markets, and the reversal of capital flows to emerging markets. The ERC also commented on the proposal for a *Risk Dashboard* (guidance for identifying, monitoring and mitigating systemic risk), as developed by the CER.

Committee members were regularly informed in the year about the activities of the European Securities and Markets Authority (ESMA), including the latest regulatory developments in Europe. The main issues for the year were supervisory cooperation regarding alternative investment funds (MoU negotiations); European Market Infrastructure Regulation (EMIR), the short-selling regulation (ESMA technical advice); supervision of credit rating agencies (CRAs); benchmarks and the ESMA risk vulnerabilities report.

Going forward, the ERC´s objective is to contribute to IOSCO's work, with a view to uniting members around a set of common goals and create a common front on issues of concern, either to the ERC or to the broader international financial regulatory community, at relevant external international *fora.* The committee will continue to speak out on behalf of members who do not have a seat on the Board, ensuring that the views and concerns of all members are reflected in Board decisions.

The continuous analysis and debate of regulatory developments and of emerging risks and trends within the European and global securities markets are a fundamental instrument for keeping members abreast of major trends in the regulatory sphere. They also help unmask potential difficulties that could require a response from IOSCO or the ERC and other policy committees or task forces.



Report from the Chair of the Inter-American Regional Committee (IARC)

Fernando Coloma
> Chair of the Inter-American Regional Committee, *term ended March 2014*
> Chairman, Superintendencia de Valores y Seguros, Chile, *term ended March 2014*

Not surprisingly, 2013 has been a very intense period for the Inter-American Regional Committee (IARC). Its members faced new challenges, as an economic slowdown in emerging markets, moderate growth in commodities prices and persistent stagnation in the most important developed economies created a context of economic uncertainty. Though the economic outlook for the Americas, and Latin America in particular, remains relatively positive for 2014, countries in the region will need to implement responsible measures in order to achieve sustainable long-term growth.

In this context, the IARC / COSRA (Council of Securities Regulators of the Americas) meetings have provided different jurisdictions in the region with the opportunity to share their concerns, and exchange ideas and proposals on how to deal with the main challenges in their markets. In 2013, two IARC/COSRA meetings were held, one in Lima, Peru in May and the other one in Quebec City, Canada, in October.

Activities and Topics treated during 2013

During the first meeting in 2013, we addressed some very interesting and important topics. Key issues discussed included investor education and the challenges of providing adequate protection to investors in the region. We discussed the difficulties posed by investors who are unaware of the risks they face when operating in securities markets.

Another key subject on the agenda was the financing through the capital markets of small and medium enterprises (SMEs) in emerging markets. This discussion highlighted the diversity of approaches taken by the different jurisdictions towards SME financing, not only in the region but also in the world. A presentation by Alparslan Budak, Assistant Secretary General of the Turkish Capital Markets Association, illustrated the hurdles SMEs must surmount in order to access capital markets. It was a stark reminder to IARC/COSRA members of the importance of addressing these problems if financing is to become available to SMEs.

During the second IARC/COSRA Meeting in Quebec City in Canada, I made a presentation on the Latin American Integrated Market (otherwise known as MILA, its acronym in Spanish). MILA is a far-reaching alliance of the stock exchanges of Colombia, Peru and Chile, aimed at promoting the development of the local securities markets and financial businesses in all three countries. Though this process of integration is a relevant advance for the region, several challenges remain for further consolidation, including enlarging MILA to include other instruments such as fixed income and new markets into this process. Also important is for it to advance towards a common model of risk-based supervision for MILA jurisdictions, following the standards of more developed integrated markets.

In the same meeting, a very interesting discussion on conflict of interests was held, particularly on related parties' transactions, which was the subject of a presentation by Daniel Blume (OECD) and Mike Lubrano, managing director at alternative asset manager Cartica Management, LLC. This discussion was very useful for IARC members, given the complexity of the topic.

We also had the chance to listen to a presentation by the COSRA Working Group on Risk Based Supervision, which was delivered by Mr. José Loyola from the Comisión Nacional Bancaria y de Valores (CNBV) of Mexico and focused on Mexico´s regulatory response to this issue. Moreover, during this meeting two other subjects were presented; one on the regulation of Forex in Panama, by Mr. Juan Manuel Martans (Superintendencia del Mercado de Valores (SMV), Panama), and another on new IOSCO principles on clearing and settlement, by Maria Teresa Chimienti from the World Bank.

As the reader can see, significant work was undertaken in the year to deal with these different issues and seek efficient and innovative solutions. In this context, the IARC / COSRA meeting is undoubtedly an outstanding venue for members to share experiences periodically, and to assist each other when necessary.

Regional Issues

IARC/COSRA members will continue to address a variety of very relevant issues for the region: Conflict of interests, SME access to financing, cross-border regulation, corporate governance and compliance monitoring, market oversight and moves to strengthen it through the implementation of a risk based supervision approach, are all topics of special interest for the region.

During 2014, IARC/COSRA members will elect new leadership, leading to the renewal of the region´s representatives on the IOSCO Board. During the Quebec City meeting, a IARC/COSRA Working Group on Board Matters was set up to coordinate and communicate in the most efficient manner the interests and concerns of the region to the IOSCO Board. IARC / COSRA members raised some concerns about the representation of the region within the IOSCO framework, as it did not fully reflect the interests and concerns of each sub-region of the Americas.

Future Planned Activities

Looking ahead, IARC/COSRA will once again hold two meetings in 2014. The first one will take place in Mexico City, during May 8th and 9th 2014. The venue and the date of the IARC/COSRA second semester meeting still have to be confirmed.

During the Mexico City meeting, IARC/COSRA members will be asked to decide on whether to harmonize the IARC and COSRA by-laws in order to bring more clarity to the procedures followed by both organizations. This is a significant task that should be dealt with by IARC / COSRA members in 2014.

As mentioned, 2013 was a very productive year. A wide spectrum of topics and issues was addressed, and some relevant advances were made. As always, challenges remain and will require the collaboration of all IARC members if they are to be addressed adequately. Once again, understanding and cooperation among regional regulators will be crucial for meeting that goal.

Report from the Chair of the Assessment Committee

Steven Bardy
> Chair of the Assessment Committee
> Senior Executive International Strategy, Australian Securities and Investment Commision

The Assessment Committee (AC), established in early 2012, develops and delivers programs to identify and assess implementation of IOSCO's *Objectives and Principles of Securities Regulation* (IOSCO Principles) and other standards and policies set out in IOSCO reports or resolutions approved by IOSCO (IOSCO Standards) across the IOSCO membership.

I am ably assisted by Amarjeet Singh from the Securities and Exchange Board of India (as Vice-Chair) and Jean-Paul Bureaud from the Ontario Securities Commission, who chairs the Implementation Task Force Sub-Committee (ITF SC).

We have 27 IOSCO members represented on the Committee, with the International Monetary Fund (IMF) as an observer.

Responsibilities of the Assessment Committee

The AC is responsible for:

1. The design and conduct of reviews of implementation across the IOSCO membership of particular IOSCO Principles and particular standards developed by IOSCO (Thematic Reviews);

2. The design and conduct of reviews of Self Assessments prepared by particular IOSCO members about implementation of IOSCO Principles (Country Reviews); and

3. Maintaining and periodically updating the IOSCO Principles and related Methodology through the ITF SC.

Achievements

The twelve months to July 2014 have been particularly busy. We have achieved much.

We have completed three Thematic Reviews, started and progressed four other Thematic Reviews and started our first Country Review. We have refined our processes for conducting our Thematic Reviews – reflecting our commitment to continuous improvement to ensure a quality product of value to IOSCO, our members and our stakeholders.

The ITF SC has developed a framework to review the IOSCO Principles and supporting Methodology.

I would like to thank AC members for their hard work through this period and particularly to those who have participated in or led Review Teams.

I would like to briefly outline our achievements through this period.

Thematic Reviews

Completed Reviews

In September 2013, we published the final report of our first Thematic Review of the implementation of IOSCO Principles 6 and 7 (which are about processes to monitor, mitigate and manage systemic risk and reviewing the regulatory perimeter, respectively). The review was conducted by a Review Team, comprising representatives from nine jurisdictions led by Gert Luiting of the Netherlands AFM. The review provided us with a snapshot of implementation of these Principles across IOSCO's membership. Rather than being a benchmarking exercise, the review was an opportunity for members to identify and share better developed processes, implementation experiences, the challenges faced and how they have been dealt with. The review was also an important learning experience that helped us to further hone and develop AC processes.
The review found:

1. On Principle 6, good progress has been made in developing processes and procedures to identify systemic risks. However further work is needed to develop processes to manage and mitigate systemic risks.

2. On Principle 7, many jurisdictions had developed processes to review the regulatory perimeter – with many of those processes being informal rather than formal. The review saw scope for members to better articulate their responsibilities, powers and objectives to achieve the outcomes sought by this Principle.

3. The review also identified the need for IOSCO to provide more detailed and granular guidance about the characteristics and features of processes that IOSCO members should have in place for both Principles.

In late 2013, IOSCO was asked by the FSB's Official Sector Steering Group (OSSG) to review the implementation of IOSCO's 2013 Principles on Financial Benchmarks (Financial Benchmark Principles) by the administrators of three key interest rate benchmarks – EURIBOR, LIBOR and TIBOR. The review was conducted by the AC working with the Task Force on Financial Market Benchmarks (benchmark task force) and jointly led by Australian ASIC and the UK FCA. The review outcomes were shared with the OSSG in May 2014.

Following on from this review, the OSSG, through its Foreign Exchange Benchmarks Group (FXBG), asked IOSCO to conduct a review of implementation of the Financial Benchmark Principles by the administrator of the London 4pm closing fix for foreign exchange rates. This review was conducted during April and May 2014 by a joint AC/benchmark task force review team led again by Australian ASIC and the UK FCA. A final report was presented to the FXBG in late June.

Our important work on these reviews was well received by the OSSG and was factored into the further development of the global regulatory landscape for benchmarks. Again the reviews gave us the opportunity to refine and improve our processes.

Thematic Reviews in Train

The AC has also started and progressed four other Thematic Reviews. Specifically:

- A review of implementation of reforms to the regulation of derivatives market intermediaries (DMI). This is a review of the status of DMI regulation and – where DMI reforms are yet to be implemented – the timetable for implementation of reforms in this important area. The review started in late 2013 and is expected to report in late 2014. The report is expected to flag the need for a further review of the consistency of reforms against IOSCO's June 2012 *Report on International Standards for Derivatives Market Intermediary (DMI) Regulation*. The review is being co-led by the Ontario OSC and Australian ASIC;

- Assessment of regulatory requirements about the timeliness and frequency of disclosure to investors about issuers and collective investment schemes (CIS) under IOSCO Principles 16 and 26. This review was also started in late 2013 and is expected to report in late 2014. It is being led by Italian CONSOB;

- A review of the status of implementation of IOSCO's recommendations about incentive alignment in its November 2012 *Final Report on Global Developments in Securitisation Regulation*. This review was included in the G20 Leaders' Roadmap towards Strengthened Oversight and Regulation of Shadow Banking (Shadow Banking Roadmap) agreed in St Petersburg in September 2013. Progress and preliminary findings will be reported to the G20 Leaders in Brisbane in November 2014; and

- A review of implementation of IOSCO's recommendations about the regulation of money market funds outlined in the October

2012 final report on Policy Recommendations for *Money Market Funds*. This review was also included in the Shadow Banking Roadmap agreed in St Petersburg in September 2013. Progress will be reported to the G20 Leaders in Brisbane in November 2014.

We are also playing a role in supporting the CPSS-IOSCO Steering Group through the CPSS-IOSCO assessment of the implementation of the *Principles on Financial Market Infrastructure*.

Country Reviews

In late 2012, we approached a pool of candidates to participate in our first Country Review and in 2013 received expressions of interest from four member jurisdictions.

Following further discussions in 2013, we are now working on a review of a self-assessment conducted by the Pakistani SECP against all but one IOSCO Principle, with the aim of completing work in late 2014. A review of Trinidad and Tobago is also expected to start in late 2014.

Positioning Strategy

In 2013 a working group convened by the AC Vice-Chair developed and is implementing a positioning strategy intended to help raise awareness of and demand for Country Reviews among IOSCO members.

Work of the ITF Sub-Committee

In June 2012, the ITF SC was established with responsibility for developing an ongoing and dynamic process for maintaining and updating the IOSCO Principles and related Methodology.

The 12 months to July 2014 have seen significant progress in the following areas under the leadership of Mr. Bureaud of the OSC:

***New IOSCO Framework for Updating the Principles and Methodology*:**

The ITF SC finalized a new *Framework for Updating the Principles and Methodo*logy (Framework), which was approved by the IOSCO Board in April 2014. The Framework establishes a structured and efficient process for updating the Principles and Methodology and helps to ensure that IOSCO's current thinking on core elements of a sound securities regulatory framework are appropriately reflected in a timely manner.

Initiating the first Review under the Framework

In May 2014, the ITF SC commenced its first review in accordance with the Framework. Three work-streams are currently underway to: (i) collect feedback from IOSCO Committees and Task Forces, IOSCO members and third-party assessors on what revisions and updates should be made to the Principles and Methodology; (ii) develop a questionnaire to seek feedback from IOSCO Committees and Task Forces on the impact of their reports on the Principles and Methodology; and (iii) streamline the footnotes in the Methodology and develop bibliographies to follow each chapter of Principles in the Methodology.

***Correcting textual errors in the Methodology*:**

The ITF SC completed a comprehensive exercise to review and edit the 2011 Methodology to correct errors in grammar and syntax, and to clarify ambiguous text. The edited Methodology is available on the IOSCO website.

Translating the Methodology:

Work on translating the Methodology into IOSCO's other official languages – namely Spanish, French and Portuguese – was progressed with an external translator. A final review and verification of the translations is underway with the support of ITF SC members, with the aim of having them finalized this September for the IOSCO Annual Conference.

Revising the e-Methodology, an on-line system that was created by IOSCO to facilitate self asssessments by its members:

The ITF SC is continuing to develop a new and improved on-line self-assessment questionnaire based on the 2011 Methodology using IOSCO's new technology platform.

Next Steps

Through this year, our main focus will be on completing the Thematic Reviews and Country Reviews we have underway.

The main challenges I see in our work going forward will be developing assessment methodologies suited to reviews, resourcing and delivering timely and robust assessments and reviews in each of our work programs, and aligning our work with that of the Financial Stability Board and the International Monetary Fund.

IOSCO Research

The Research Function of IOSCO consists of a small Research Department at the General Secretariat, headed by Mr. Werner Bijkerk, and a Committee on Emerging Risks, chaired by Mr. Carlos Tavares, Chairman of the Portuguese securities market regulator. It was set up in 2010 under the new strategic direction 2010-2015 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. Since securities markets are characterized by rapid change and financial innovation, securities regulators in their jurisdictions, and IOSCO at a global level, need to be aware of new products, business models, activities, participants and potential systemic risks. Research will help IOSCO focus its strategic policy agenda and inform its policy work.

The identification of global risks

In October 2013 the first *IOSCO Securities Market Risk Outlook 2013-2014* was published. It was the first in what is to be an annual series of Outlooks that aim to identify and assess potential global systemic risks arising from securities markets. This Outlook was written by the Research Department. It is based on a number of inputs, including data collection and robust analysis, construction of quantitative systemic risk indicators, extensive market intelligence, interviews with key figures in major financial centers, risk roundtables with prominent members of industry and regulators, a survey on emerging risks to the market, analysis from academia and the regulatory community, input from IOSCO's Committee on Emerging Risks (CER, formerly known as the Standing Committee on Risk and Research) and risk reports and presentations by experts. The Outlook synthesizes these inputs and adopts a global and forward-looking approach to understanding risks that could become systemic. It also highlights some noteworthy trends and potential vulnerabilities.

The main risks highlighted in the Outlook are risks associated with 1) the low interest rate environment and the search for yield 2) risks associated with collateral management in a stressed funding environment 3) risks in the derivatives space 4) and risks associated with a reversal of capital flows to Emerging Markets.

The launch of a series of in-depth studies on pressing global issues

The Research Department also started publication of a series of in-depth Staff Working Papers on issues of growing concern to financial markets. Papers were published on:

- The potential systemic risks of *Cybercrime in Securities Markets*. The report was based on unique information obtained from a survey of Securities Exchanges, in collaboration with the World Federation of Exchanges;
- The risks and benefits of *Crowdfunding*, and;
- A global perspective on *Corporate Bond Markets*, including potential systemic risks and the role in market-based and long-term financing.

Starting data collection

IOSCO has never had a statistics department, despite a general need for basic global information and data on securities markets. Therefore, with the technical support and expertise of BaFin of Germany, the Research Department launched in November 2013 a statistical website providing global and regional statistics on segments of the securities markets. The statistical website is updated monthly and will be gradually expanded with data on other market segments and with modelled statistics on risks.

Outreach and debate

Staff of the Research Department have delivered numerous key note speeches, panel presentations and training sessions at meetings and events held by IOSCO members, other regulatory organizations, and market

participants. The Research Department also organizes a risk roundtable for each IOSCO Board meeting, where experts exchange views with Board members on a specific issue. The issues debated in 2013 were potential systemic risks threatening securities markets, cyber threats, and risks to emerging markets.

Participation in other global systemic risk identification fora

In its capacity as a global standard setter of securities market regulation, IOSCO supports the global risk identification and mitigation efforts by the G20, the Financial Stability Board, the International Monetary Fund, the Committee on Payment and Settlement Systems and other organizations that deal with similar issues, , such as the European Systemic Risk Board and the European Central Bank. Therefore, the staff of the Research Department and the chairman of the CER actively engage in discussions with these institutions on potential systemic risks in securities markets. Ultimately, efforts towards identifying, monitoring and mitigating risks throughout the financial system should promote an appropriate degree of financial stability by helping curb excessive risk taking, improving investor protection and facilitating capital formation.

IOSCO´s Education and Training Program

IOSCO is in a unique position to help build the regulatory capacity of its members and prepare them for the regulatory challenges that lie ahead, especially in the fast growing emerging markets. IOSCO´s Education and Training Program seeks to advance the organization´s regulatory goals and the implementation of standards and principles, and is a direct response to the growing demand from IOSCO members for capacity building. The program draws on the expertise of policy committees, industry practitioners, academia and the regulatory community.

IOSCO Education & Training Activities 2013

1. IOSCO Seminar Training Program

IOSCO´s annual flagship capacity building program, the Seminar Training Program (STP), was successfully conducted at IOSCO´s headquarters in Madrid from 22 to 25 October 2013 and had as a theme *Going Forward: Future Challenges in Securities Regulation and Practical Solutions for Meeting Those Challenges*. This four-day program reached full capacity with almost 100 participants from over 50 different jurisdictions, while many more were on a waiting list to join.

The STP focused on market manipulation, insider trading, regulatory investigations, ethics, investor protection, and the in-depth examination of recent regulatory cases from the previous 11 months. The 2013 STP program content was based on the preferences conveyed by IOSCO members in the IOSCO Education and Training needs analysis survey conducted in the first quarter of 2013.

While STPs are always designed to provide practical advice, as well as tools and solutions that regulators may immediately use when performing their regulatory responsibilities, the 2013 STP also featured a *call to regulatory action*. In addition to investigating and taking testimony relating to a previously litigated insider trading case, STP participants were challenged this year by four actual cases involving billions of dollars in settlements, as well as pending criminal, civil, and administrative actions. Relevant court documents were distributed to and examined by attendees, who gained a clear understanding of the settlements reached and/or the pending litigation. Attendees were then asked how these cases and the resulting settlements, findings of liability and pending litigation affected their own jurisdictions. Finally, STP attendees were asked to consider what their own *next regulatory steps* might be when they return to their home jurisdictions.

Building on the success of the annual STP, IOSCO organized similar mobile training seminars in the different regions, using the same broad format, theme and materials. The Financial Markets Authority of New Zealand hosted the Mobile STP for the Asia-Pacific region in Auckland, from 11 to 12 March 2013. This seminar was largely based on the program of the 2012 STP in Madrid on *Corporate Governance Issues Related to Securities Firms and Sanctions for Market Abuse*. Fifty delegates from 15 jurisdictions participated in the program.

While the mobile STPs are based on the STP held annually in Madrid, IOSCO staff work closely with the host jurisdiction to tailor the program to the specific interests and needs of the host region. Regional speakers and other new speakers are incorporated into the mobile STPs, as are speakers from the annual STP. Consequently, IOSCO is steadily building a speakers data base that enhances its education and training capabilities.

2. Enforcement Training Program

The IOSCO Education & Training Team, together with the Dubai Financial Services Authority (DFSA) and the Securities and Commodities Authority of the United Arab Emirates (SCA), organized a four-day Enforcement Training Program from 4 to 7 March 2013 in Dubai, UAE.

This very practical program for enforcement staff of securities regulators had the format of a workshop and was hosted at the premises of the SCA in Dubai. The forty participants from 25 different jurisdictions were divided into five working groups with one experienced mentor assigned to each group. Each mentor used a case study to help participants develop and fully execute different phases of the planning and conducting of an investigation, i.e., from the assessment of allegations to the investigation planning and the interviewing of witnesses and suspects. Due to the success and popularity of the program (the set limit on the number of participants was reached within a matter of days), IOSCO is considering replicating the program or aspects of it in other regions. Parts of it were included in the 2013 STP in Madrid.

3. Joint IOSCO / Financial Stability Institute (FSI) Seminar

The 8th edition of the joint IOSCO and FSI Seminar took place at IOSCO´s headquarters in Madrid from 20 to 22 November 2013. The FSI is the training arm of the Bank for International Settlements, and this joint seminar has proven successful in examining some cross-sectoral issues. This Seminar on *Trading Book Issues and Market Infrastructure* had a particular emphasis on legal, regulatory, and compliance issues. Over 80 bank supervisors and securities regulators from 44 different jurisdictions attended the seminar.

4. IOSCO AMCC Training Seminar

The Affiliate Members Consultative Committee (AMCC) of IOSCO conducted a two-day training seminar from 22 to 23 May 2013 in Toronto, Canada. The program covered the IOSCO Principles relating to Firm Supervision, Inspections and Enforcement. The agenda also included panels on High Frequency Trading, SME Finance and Ahead of the Curve regulatory topics. The event was co-organized by IOSCO, ANBIMA (Brazilian Financial and Capital Markets Association), FINRA (Financial Industry Regulatory Authority) and IIROC (Investment Industry Regulatory Organization of Canada). The AMCC training programs have so far reached more than 500 delegates from over 90 regulatory entities of 65 different jurisdictions.

5. The IOSCO & IFIE Investor Education Conference

IOSCO continues to co-organize a joint program with the International Forum on Investor Education (IFIE). The 5th joint IFIE-IOSCO Investor Education Conference was held from 19 to 21 June 2013 in Toronto, Canada, and was hosted by the Investment Industry Regulatory Organization of Canada (IIROC). The theme of the conference was *Delivering Dynamic Financial Capability and Investor Education Programmes - Changing Behaviour across Life Stages*. The conference was composed of different panels, breakout sessions, and practical workshops that covered themes such as *Financial Education for Children and Youth in the Classroom and in the Community, Effective Financial Capability and Investor Education Programmes for People in their Working Years, Evaluating Programmes, Research and Behavioural Economics, and Emerging Challenges in Meeting the Needs of Retirement Years.* The conference was attended by over 150 delegates.

6. GEM Committee Training

Market Development Workshops

The Growth and Emerging Markets Committee (GEM) of IOSCO, has been continuing organizing Market Development Workshops that are open to all IOSCO members. The 2013 GEM Conference in Panama of 21 to 23 May 2013 featured two workshops: one on *Risk Based Supervision*, and the other on *FMIs and Risk Management*. Also during the 2013 Annual Conference in Luxembourg two workshops took place on 16 September 2013, covering the topics of *Interaction between Physical and Financial Commodity Markets – A Role for Regulators*, and *IFRS Around the World: Current Status, Enforcement and Key Strategic Challenges*.

IOSCO Corporate Bond Markets (CBM) Outreach Program

Following publication of the report on the *Development of Corporate Bond Markets in the EMs* in November 2011, IOSCO launched a CBM Outreach Program in collaboration with the World Bank. The program offered workshops that attracted a lot of interest and participation from GEM members. In October 2013 two workshops were organized: an AMERC (Africa/Middle East Regional Committee) workshop in Mauritius and an APRC (Asia-Pacific Regional Committee) workshop in Sri Lanka.

7. Investor Education Gateway

IOSCO members are showing a growing interest in investor education, a trend that is reflected in the

mandate of the recently established Committee on Retail Investors (C8). In June 2013, IOSCO launched an Investor Education Gateway on its website, based on an analysis of members' investor education programs. Through the gateway, IOSCO Members are able to showcase and share their investor education work with each other. Almost 50 IOSCO members were participating in the gateway by end 2013, with more expected to join.

8. Survey Analysis

In the first quarter of 2013, IOSCO carried out an online survey on education and training among all IOSCO members as a follow up to similar surveys in 2009 and 2011. Of the three surveys, the 2013 iteration received the highest number of responses (69). The survey supports and confirms the very positive evaluations received on IOSCO's education and training programs. It also reflects the strong belief among respondents that education and training programs provide participants with fresh knowledge and an international regulatory perspective, and keeps them up to date regarding regulatory matters.

The survey included 57 topics concerning securities regulation and asked respondents to indicate their level of interest in each one on a scale of 1 to 7 with 7 indicating *very interested*. The following topics received the strongest support[1] according to the 2013 Survey:

1. Going Forward; Regulation and Supervision - 77%;
2. Insider Trading Investigations - 70%;
3. Market Manipulation - 68%;
4. Ethics and Conflicts of Interest - 67%;
5. Investor Education - 66%;
6. Insider Trading (Litigation) - 66%;
7. Investor Protection - 65%;
8. Helping Investors Avoid Fraud - 65%;
9. Conducting Regulatory Investigations - 64%;
10. Inspections - 61%; and
11. Transparency and Disclosure in Financial Markets – 61%.

Regarding IOSCO's Principles, the categories that received the strongest support[2] according to the 2013 Survey are the following:

1. Market Intermediaries (Principles 29-32) - 73%;
2. Enforcement (Principles 10-12) - 67%;
3. The Regulator (Principles 1-8) - 65%;
4. Cooperation in Regulation (Principles 13–15) - 62%;
5. Collective Investment Schemes (Principles 24-28) - 54%;
6. Secondary Markets (Principles 33-38) - 51%;
7. Issuers (Principles 16 -18) - 49%;
8. Self-Regulation (Principle 9) - 41%; and
9. Auditors, Credit Rating Agencies and Other Information Providers (Principles 19-23) - 39%.

1 Strongest support is defined as the total percentage of respondents who marked the topic as a 7 or a 6 on a 7 point scale with 7 reflecting the highest level of interest.

2 Ibid

Several conclusions regarding the direction of IOSCO Education and Training can be drawn from this comparative data:

- The topic *Going Forward: Regulation and Supervision* received one of the highest ratings of any survey topic in the past five years;
- IOSCO members continue to show an increasing desire for IOSCO to offer a certificate program for regulators (76%, 79% and 81%, respectively, for 2009, 2011 and 2013);
- Participants continue to show high interest in receiving education and training with respect to *Insider Trading Investigations* and *Market Manipulation*;
- There seems to be fresh interest in the fourth highest ranked topic in 2013, *Ethics and Conflicts of Interest*. This topic was not ranked in the top ten in either 2009 or 2011; and
- The similar topics of *Investor Education, Investor Protection*, and *Helping Investors Avoid Fraud* ranked, respectively, fifth, and tied for seventh.

Given this data, IOSCO members indicated the following as the top three areas concerning IOSCO Principles: Market Intermediaries (73%), Enforcement (67%), and The Regulator (65%). This data is generally consistent with prior years.

9. Expansion of Education and Training Opportunities

The IOSCO Board Capacity Building Resource Committee (CBRC) is currently examining ways to raise additional funding for IOSCO´s capacity building. A development fund may be the chosen vehicle for raising the needed funds. As part of this exercise, IOSCO Education & Training is proposing to sharply expand the education and training opportunities available to IOSCO members. Depending on the additional funding raised, IOSCO will seek to increase the quantity and quality of the current training seminars and events. Extra funds would also be used to enhance the dissemination of all training programs and materials. Extra funds would also be used to enhance the dissemination of all training programs and materials. This would be accomplished through video streaming of first class education and training programs, and through the creation of an electronic library with relevant education and training materials and programs.

10. IOSCO International Secondment Register

In October 2013, IOSCO conducted a survey of its members in an effort to understand the current level of, and rationale for, secondment activity, and to gain first-hand knowledge of members´ experiences with secondment. Based on this information, ASIC designed an International Secondment Register to be located on the IOSCO Website. Through this register IOSCO members will have access to information on secondment offers and the demand for them. IT staff of the IOSCO General Secretariat is currently working with staff from ASIC on the development and implementation of this International Secondment Register. The objective is to launch the register in the third quarter of 2014.

General Information

The International Organization of Securities Commissions (IOSCO), established in 1983, is the acknowledged international body that brings together the world´s securities regulators. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. Its General Secretariat is based in Madrid, Spain.

The objectives of IOSCO's members are:

> 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 mitigate 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;

Structure of IOSCO

The Presidents Committee, as the plenary body of IOSCO, meets once a year during the IOSCO Annual Conference and is attended by ordinary and associate members. Affiliate members attend the second half of the meeting.

At its Annual Conference in May 2012, IOSCO constituted a new **Board** that absorbed the functions of the Executive Committee, the Technical Committee and the Emerging Markets Committee Advisory Board. The Emerging Market Committee (EMC) has continued as a separate body renamed the Growth and Emerging Markets Committee (GEM).

The new streamlined governance structure and decision-making process was aimed at making IOSCO more effective and inclusive, helping position the organization for a larger role in shaping the global framework for securities market regulation.

The Board in 2013 was composed of 32 members who serve a two-year term ending in September 2014. Members included all former Technical Committee members (representatives of the 18 commissions that regulated some of the world´s larger, more developed markets), representatives from each of IOSCO's four regional Committees and the Chair and Vice-Chair of the Emerging Markets Committee. Together, they ensured an appropriate balance and mix of members.

The criteria for membership of the Board were approved at the IOSCO Annual Meeting in 2013 with a view to instating a permanent structure by the following Annual Meeting in Rio de Janeiro in September 2014.

As of September 2014, the IOSCO Board shall be composed of 34 members:

a) The 18 members from jurisdictions with the largest markets (based on measures of equity market capitalization, debt market issuance, assets under management and derivatives trading),
b) The Chair and the Vice Chair of the Growth and Emerging Markets (GEM) Committee,
c) The Chairs of the four Regional Committees,
d) Two members elected by the GEM Committee from its membership, and
e) Two members elected by each of the four Regional Committees from their memberships.

Greg Medcraft, the Chairman of the Australian Securities & Investment Commission (ASIC), took over as Chair at the Board meeting in Sydney in March 2013. He will hold that position until the meeting of the Board at the Annual Conference in September 2014. The Board Chairman is supported by two Vice Chairs; Mr. Howard I. Wetston, Chairman of the Ontario Securities Commission (elected by the Board in March 2013), and Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia (ex-officio as GEM Chair).

The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75% of the IOSCO ordinary membership. Mr Ranjit Ajit Singh, Chairman, Securities Commission Malaysia is the Chair of the GEM. The Committee seeks 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.

The GEM comprises 87 members who include the world's fastest growing economies and 10 of the G-20 members. Emerging economies are expected to represent a growing portion of IOSCO membership as new members continue to join.

IOSCO is one of the few international standard setters that has a committee dedicated to emerging market issues. This inclusiveness increases IOSCO's effectiveness and positions it to play a bigger role in shaping the global regulatory framework. The Chairman of the GEM is one of the IOSCO Representatives on the Financial Stability Board Plenary. The GEM also has a seat on the IFRS Foundation Monitoring Board.

IOSCO also has **four Regional Committees**, which meet to discuss problems specific to their respective regions and jurisdictions:

> Africa/Middle-East Regional Committee;
> Asia-Pacific Regional Committee;
> European Regional Committee; and
> Inter-American Regional Committee.

Self-regulatory organizations (SROs) and other affiliate members (see below for full description) are members of the Affiliate Member Consultative Committee (AMCC). IOSCO recognizes the importance of maintaining a close dialogue with its affiliate membership, and of ensuring that their input into IOSCO's policy development work is sought and encouraged.

Annual Conference

IOSCO's members meet every year at its Annual Conference to discuss important issues related to global securities markets regulation. Event and registration information can be found at **www.iosco.org**.

Membership Categories and Criteria

Categories

IOSCO has three categories of membership that are assigned according to the approach of each member to securities markets regulation. This structure enables all members to participate in IOSCO's debate on securities market issues.

The three categories are:

> Ordinary;
> Associate; and
> Affiliate.

The annual membership fee from 2012 onwards is as shown in the following chart:[1]

	National Per Capita Income[1]		
GDP[1]	1. Low Income	2. Middle Income	3. High Income
A. Low GDP	€ 12,500	€ 15,000	€ 16,000
B. Medium GDP	€ 15,000	€ 16,000	€ 21,000
C. High GDP	€ 16,000	€ 21,000	€ 30,000

[1]The differential membership fee structure will remain unchanged through the life of the current Strategic Direction (2012-2015)

Ordinary

A national securities commission or a similar governmental body with significant authority over securities or derivatives markets is eligible for ordinary membership of the Organization provided it is a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) on cooperation and exchange of information. Where there is no such national authority, provincial authorities with authority over securities or derivatives markets are eligible for ordinary membership provided they are MMoU signatories. If there is no governmental regulatory body in a country, a self-regulatory body, such as a stock exchange from that country, is eligible for ordinary membership of the Organization.

Each ordinary member of the Organization is a member of the Presidents Committee and has one vote at meetings of that committee and any other committees to which they belong. The Presidents Committee meets yearly at the annual conference.

In the case of a country where the subdivisions have exclusive jurisdiction over securities, the regulatory bodies of the subdivisions of that country that are ordinary members shall have a maximum of three votes for all the subdivisions together in elections in meetings of the Presidents Committee, IOSCO Board, Growth and Emerging Markets Committee, Regional Committees, and in meetings of any other committee or on any other occasion where elections are held.

Associate

The following are eligible for associate membership of the Organization:

- supranational governmental regulators;
- subnational governmental regulators where there is a national governmental regulator;
- intergovernmental international organizations and other international standard-setting bodies;
- other governmental bodies with an appropriate interest in securities regulation;
- national governmental regulators who are not MMoU signatories and who are not ordinary members; and
- associations that consist of the public regulatory bodies.

Associate members may attend and speak at meetings of the Presidents Committee.

Affiliate

The following bodies are eligible for affiliate membership of the Organization.

- self-regulatory organizations (SROs);
- securities exchanges;
- financial market infrastructures (including clearing and settlement agencies);
- international bodies other than governmental organizations with an appropriate interest in securities regulation;
- investor protection funds and compensation funds; and
- any other body with an appropriate interest in securities regulation that the IOSCO Board may decide for the purpose of furthering the objectives of the Organization.

Affiliate members may attend the Presidents Committee meeting to hear detailed reports on the work and key developments of the Organization. Affiliate members are not entitled to vote at the Presidents Committee meeting.

Contact Details

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Spain

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Fax: (34 91) 555 9368
E-mail: mail@iosco.org
Website: www.iosco.org

IOSCO Members

Ordinary Members (124)

Albanian Financial Supervisory Authority ALBANIA
Alberta Securities Commission CANADA
Commission d'Organisation et de Surveillance des Opérations de Bourse ALGERIA
Institut Nacional Andorra de Finances ANDORRA, PRINCIPALITY OF
Comisión Nacional de Valores* ARGENTINA
Central Bank of Armenia ARMENIA
Australian Securities and Investments Commission* AUSTRALIA
Financial Market Authority AUSTRIA
Securities Commission of The Bahamas BAHAMAS, THE
Central Bank of Bahrain BAHRAIN, KINGDOM OF
Bangladesh Securities and Exchange Commission BANGLADESH
Financial Services Commission BARBADOS
Financial Services and Markets Authority* BELGIUM
Bermuda Monetary Authority BERMUDA
Autoridad de Supervisión del Sistema Financiero BOLIVIA
Securities Commission of the Federation of Bosnia and Herzegovina BOSNIA AND HERZEGOVINA, FEDERATION OF
Comissão de Valores Mobiliários* BRAZIL
British Columbia Securities Commission CANADA
British Virgin Islands Financial Services Commission BRITISH VIRGIN ISLANDS
Autoriti Monetari Brunei Darussalam BRUNEI
Financial Supervision Commission BULGARIA
Cayman Islands Monetary Authority CAYMAN ISLANDS
Superintendencia de Valores y Seguros CHILE
China Securities Regulatory Commission* CHINA
Superintendencia Financiera de Colombia COLOMBIA
Superintendencia General de Valores COSTA RICA
Croatian Financial Services Supervisory Agency CROATIA
Cyprus Securities and Exchange Commission CYPRUS
Czech National Bank CZECH REPUBLIC
Finanstilsynet (Denmark Financial Supervisory Authority) DENMARK
Superintendencia de Valores de la República Dominicana DOMINICAN REPUBLIC
Superintendencia de Compañías y Valores ECUADOR
Egyptian Financial Supervisory Authority EGYPT
Superintendencia del Sistema Financiero EL SALVADOR
Financial Supervision Authority (Finantsinspektioon) ESTONIA
Financial Supervision Authority FINLAND
Autorité des marchés financiers* FRANCE
Bundesanstalt für Finanzdienstleistungsaufsicht* GERMANY
Securities and Exchange Commission GHANA
Financial Services Commission GIBRALTAR
Hellenic Republic Capital Market Commission GREECE
Guernsey Financial Services Commission GUERNSEY
Comisión Nacional de Bancos y Seguros (National Banks and Securities Commission) HONDURAS
Securities and Futures Commission* HONG KONG
Magyar Nemzeti Bank (The Central Bank of Hungary) HUNGARY
Fjármálaeftirlitið - Financial Supervisory Authority ICELAND
Securities and Exchange Board of India* INDIA
Indonesia Financial Services Authority (OJK) INDONESIA
Central Bank of Ireland IRELAND
Financial Supervision Commission ISLE OF MAN
Israel Securities Authority ISRAEL
Commissione Nazionale per le Società e la Borsa* ITALY

*Member of the IOSCO Board

Financial Services Commission JAMAICA
Financial Services Agency* JAPAN
Ministry of Agriculture, Forestry and Fisheries JAPAN
Ministry of Economy, Trade and Industry JAPAN
Jersey Financial Services Commission JERSEY
Jordan Securities Commission JORDAN
National Bank of Kazakhstan KAZAKHSTAN
Capital Markets Authority KENYA
Financial Services Commission/Financial Supervisory Service* KOREA, REPUBLIC OF
State Agency for Financial Surveillance and Accounting KYRGYZ REPUBLIC
Financial and Capital Market Commission LATVIA
Financial Market Authority LIECHTENSTEIN
Central Bank of the Republic of Lithuania LITHUANIA
Commission de surveillance du secteur financier LUXEMBOURG
Securities and Exchange Commission of the Republic of Macedonia MACEDONIA, FORMER YUGOSLAV REPUBLIC OF
Reserve Bank of Malawi MALAWI
Securities Commission* MALAYSIA
Capital Market Development Authority MALDIVES, REPUBLIC OF
Malta Financial Services Authority MALTA
Financial Services Commission MAURITIUS
Comisión Nacional Bancaria y de Valores* MEXICO
Financial Regulatory Commission MONGOLIA
Securities Commission of the Republic of Montenegro MONTENEGRO
Conseil déontologique des valeurs mobilières * MOROCCO
The Netherlands Authority for the Financial Markets* NETHERLANDS, THE
Financial Markets Authority NEW ZEALAND
Securities and Exchange Commission* NIGERIA
Finanstilsynet (The Financial Supervisory Authority of Norway) NORWAY
Capital Market Authority OMAN
Ontario Securities Commission* CANADA
Securities and Exchange Commission* PAKISTAN
Palestine Capital Market Authority PALESTINE
Superintendencia del Mercado de Valores PANAMA, REPUBLIC OF
Securities Commission PAPUA NEW GUINEA
Superintendencia del Mercado de Valores* PERU
Securities and Exchange Commission PHILIPPINES
Polish Financial Supervision Authority POLAND
Comissão do Mercado de Valores Mobiliários* PORTUGAL
Qatar Financial Markets Authority QATAR
Autorité des marchés financiers* CANADA
Financial Supervision Authority* ROMANIA
The Bank of Russia RUSSIA
Capital Market Authority* SAUDI ARABIA, KINGDOM OF
Securities Commission SERBIA, REPUBLIC OF
Monetary Authority of Singapore* SINGAPORE
The National Bank of Slovakia SLOVAK REPUBLIC
Securities Market Agency/Agencija Za Trg Vrednostnih Papirjev SLOVENIA
Financial Services Board* SOUTH AFRICA
Comisión Nacional del Mercado de Valores* SPAIN
Securities and Exchange Commission SRI LANKA
Republic of Srpska Securities Commission BOSNIA AND HERZEGOVINA, FEDERATION OF
Finansinspektionen SWEDEN
Swiss Financial Market Supervisory Authority* SWITZERLAND
Syrian Commission on Financial Markets and Securities SYRIA
Financial Supervisory Commission CHINESE TAIPEI

Capital Markets and Securities Authority TANZANIA
Securities and Exchange Commission THAILAND
Trinidad and Tobago Securities and Exchange Commission * TRINIDAD AND TOBAGO
Conseil du marché financier TUNISIA
Capital Markets Board TURKEY
Capital Markets Authority UGANDA
National Securities and Stock Market Commission UKRAINE
Securities and Commodities Authority UNITED ARAB EMIRATES
Financial Conduct Authority* UNITED KINGDOM
Securities and Exchange Commission* UNITED STATES OF AMERICA
Commodity Futures Trading Commission* UNITED STATES OF AMERICA
Banco Central del Uruguay URUGUAY
Center for Coordination and Development of Securities Market UZBEKISTAN
Superintendencia Nacional de Valores VENEZUELA
State Securities Commission VIETNAM
Conseil régional de l'épargne publique et des marchés financiers WEST AFRICAN MONETARY UNION
Securities and Exchange Commission ZAMBIA

Associate Members (12)

Dubai Financial Services Authority DUBAI
European Commission BELGIUM
European Securities and Markets Authority EUROPE
Organisation de coopération et de développement économiques FRANCE
Forward Markets Commission INDIA
Securities and Exchange Surveillance Commission JAPAN
Korea Deposit Insurance Corporation KOREA, REPUBLIC OF
Labuan Financial Services Authority MALAYSIA
Asian Development Bank PHILIPPINES
Union of Arab Securities Authorities UNITED ARAB EMIRATES
International Bank for Reconstruction and Development UNITED STATES OF AMERICA
International Monetary Fund UNITED STATES OF AMERICA

Affiliate Members (64)

Bolsa de Comercio de Buenos Aires ARGENTINA
Bahamas International Securities Exchange BAHAMAS, THE
European Fund and Asset Management Association BELGIUM
The Bermuda Stock Exchange BERMUDA
BM&F Bovespa (Securities, Commodities and Futures Exchange) BRAZIL
Brazilian Financial and Capital Markets Association BRAZIL
BM&F Bovespa Market Supervision BRAZIL
Central of Custody and Financial Settlement of Securities BRAZIL
Investment Industry Regulatory Organization CANADA
Mutual Fund Dealers Association CANADA
Cayman Islands Stock Exchange CAYMAN ISLANDS
Channel Islands Securities Exchange Authority Limited CHANNEL ISLANDS
Shanghai Stock Exchange CHINA
Shenzhen Stock Exchange CHINA
China Securities Investor Protection Fund Co., Ltd. CHINA
The Securities Association of China CHINA
China Financial Futures Exchange CHINA
China Securities Depository and Clearing Corporation Limited CHINA

Autorregulador del Mercado de Valores de Colombia COLOMBIA
MISR for Clearing, Depository and Central Registry EGYPT
Deutsche Börse AG GERMANY
German Derivatives Association GERMANY
Hong Kong Exchanges and Clearing Limited HONG KONG
National Stock Exchange INDIA
BSE Limited INDIA
Multi Commodity Exchange of India Limited INDIA
Indonesia Stock Exchange INDONESIA
The Tel-Aviv Stock Exchange Ltd. ISRAEL
Japan Exchange Group, Inc. JAPAN
Japan Securities Dealers Association JAPAN
Korea Financial Investment Association KOREA, REPUBLIC OF
Korea Exchange KOREA, REPUBLIC OF
Bursa Malaysia MALAYSIA
Malta Stock Exchange MALTA
The Nigerian Stock Exchange NIGERIA
The Karachi Stock Exchange (Guarantee) Limited PAKISTAN
National Association of Securities Market Participants RUSSIA
Saudi Stock Exchange SAUDI ARABIA, KINGDOM OF
Singapore Exchange Limited SINGAPORE
Johannesburg Stock Exchange SOUTH AFRICA
Bolsas y Mercados Españoles SPAIN
SIX Swiss Exchange Ltd SWITZERLAND
International Capital Market Association SWITZERLAND
Gre Tai Securities Market CHINESE TAIPEI
Taiwan Futures Exchange CHINESE TAIPEI
Taiwan Stock Exchange Corp. CHINESE TAIPEI
The Stock Exchange of Thailand THAILAND
Borsa Ístanbul TURKEY
Turkish Capital Markets Association TURKEY
NASDAQ Dubai Ltd UNITED ARAB EMIRATES
Dubai Gold and Commodities Exchange UNITED ARAB EMIRATES
World Federation of Exchanges Ltd. UNITED KINGDOM
ICI Global UNITED KINGDOM
LCH.Clearnet Group Limited UNITED KINGDOM
Hedge Fund Standards Board UNITED KINGDOM
London Stock Exchange Group UNITED KINGDOM
CME Group UNITED STATES OF AMERICA
Financial Industry Regulatory Authority UNITED STATES OF AMERICA
National Futures Association UNITED STATES OF AMERICA
NYSE Euronext UNITED STATES OF AMERICA
Options Clearing Corporation UNITED STATES OF AMERICA
International Swaps & Derivatives Association, Inc. UNITED STATES OF AMERICA
Financial Planning Standards Board Ltd. UNITED STATES OF AMERICA
Securities Investor Protection Corporation UNITED STATES OF AMERICA

AUDITOR´S REPORT ON THE FINANCIAL STATEMENTS

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Auditors' Report on the Financial Statements

To the Members of the
International Organization of Securities Commissions (IOSCO)

We have audited the accompanying financial statements of the International Organization of Securities Commissions (hereinafter the "Organization"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the International Organization of Securities Commissions (IOSCO) as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DELOITTE, S.L.

Rodrigo Díaz
Madrid, June 12, 2014

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Financial Statements

Statement of Comprehensive Income (in euros)

Year ended December 31, 2013

Notes 1 and 2

	2013	2012
REVENUE		
Contributions from members (Note 3)	4.049.949	4.120.585
Annual Conferences (Note 3)	120.000	120.000
Exchange Gain	-	-
Other (Note 3)	6.882	2.215
Total Revenue	**4.176.831**	**4.242.800**
EXPENSES		
Salaries and employee benefits (Note 4)	2.005.855	1.741.298
Rental and maintenance (Note 13)	83.559	97.147
Travelling	473.865	409.620
Office Supplies	36.848	37.314
Organization and follow up of meetings	43.074	97.863
Telecommunications	104.487	109.297
Delivery and communication	7.176	10.916
Printing and Annual Report	38.886	24.358
Computer	149.842	145.260
Professional fees	100.435	85.959
Educational programs and TA	121.559	74.427
Miscellaneous	43.691	40.092
Exchange loss	1.613	2.291
PIOB Funding (Note 5)	100.000	-
Foundation (legal, consulting fees & travel) (Note 6)	215.488	-
Amortization of capital assets (Note 8)	37.025	40.973
Total expenses	**3.563.403**	**2.916.815**
Taxation (Note 11)	**-**	**-**
Excess of revenue over expenses before tax (expenses over revenue)	**613.428**	**1.325.985**
Other comprehensive income net of tax	**-**	**-**
Total comprehensive income for the year net of tax	**613.428**	**1.325.985**

The accompanying notes are an integral part of the financial statements.

Statement Of Financial Position (in euros)

Year ended December 31, 2013

Notes 1 and 2

	2013	2012
ASSETS		
Current assets		
Cash (Note 7)	1.019.790	2.677.780
Term Deposits (Note 7)	2.502.497	-
Accounts Receivable (Note 9)	99.569	122.029
Prepaid Expenses	65.560	87.501
	3.687.416	**2.887.310**
Capital Assets (Note 8)	53.999	76.048
Total assets	**3.741.415**	**2.963.358**
LIABILITIES		
Current liabilities		
Accounts Payable and accrued liabilities (Note 9)	417.216	391.863
Contributions received in advance (Note 3)	259.276	120.000
Total liabilities	**676.492**	**511.863**
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	613.428	1.325.985
Unrestricted members´ funds	2.451.495	1.125.510
Total members' funds	**3.064.923**	**2.451.495**
Total liabilities and members´ funds	**3.741.415**	**2.963.358**

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets (in euros)

Year ended December 31, 2013

Notes 1 and 2

		2013	2012
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	2.451.495	2.451.495	1.125.510
Excess of revenue over expenses net of tax (expenses over revenue)	613.428	613.428	1.325.985
Balance, end of year	**3.064.923**	**3.064.923**	**2.451.495**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows (in euros)

Year ended December 31, 2012

Notes 1 and 2

	2013	2012
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	613.428	1.325.985
Depreciation of capital assets (Note 8)	37.025	40.973
Decrease (increase) in working capital items (Note 10)	209.029	149.941
Net cash generated	**859.482**	**1.516.899**
INVESTING ACTIVITIES		
Term deposits transactions (Note 7)	(500.000)	-
Capital expenditures (Note 8)	(14.975)	(36.591)
Net cash used	**(514.975)**	**(36.591)**
Net increase (decrease) in cash and cash equivalents	**344.507**	**1.480.308**
Cash and cash equivalents, beginning of period	2.677.780	1.197.472
Cash and cash equivalents, end of period	3.022.287	2.677.780
CASH AND CASH EQUIVALENTS		
Cash (Note 7)	1.019.790	2.677.780
Term deposits (Note 7)	2.002.497	-
	3.022.287	**2.677.780**

The accompanying notes are an integral part of the financial statements.

1 Governing Statutes and Purpose of the Organization

The non-profit organization IOSCO (hereinafter the Organization), incorporated under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is an association of securities regulatory organizations. During 2001 the Organization changed its domicile to Madrid (Spain). It is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999.

IOSCO is the international standard setter for securities regulation. Its current membership comprises regulatory bodies from over one hundred jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared in Euros which is the organization´s functional currency.

These financial statements were authorised for issue by the Secretary General of the Organization on April 30, 2014.

Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at amortized costs.

Accounting estimates

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actuals results may differ from these estimates.

Revenue and cost recognition

Member contributions are deferred when prepaid and recognised as income only upon accrual and receipt. Revenue received in advance represents prepaid members contributions.

Operating costs are recognized as an expense when incurred.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Any impairment in the net recoverable amount as compared to the net carrying amount is recognized immediately.

Gains and losses on disposal are included in the Statement of Comprehensive Income.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Furniture and fixtures	Straight-line	20%
Computer equipment		
Computers and Software	Straight-line	33%
Servers	Straight-line	25%

Foreign currency translation

The Organization's functional and presentational currency is Euros. Foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are recognized in the Statement of Comprehensive Incomes when they arise.

Monetary assets and liabilities denominated in foreign currencies are translated to Euros at the foreign exchange at the end of the reporting period. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income.

3 Revenue

Contributions from members include membership fees collected in the year, corresponding to contributions due for the reporting period and previous reporting periods and contributions from agencies applying for membership.

Annual conference revenue represents the contribution from the member hosting the Annual Conference.

Other revenue is comprised basically by sales of IOSCO documents and other revenues generated by capital assets.

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2013 is composed of 27 FTE, including 19 permanent staff and 7 secondees and 1 intern, being 14 staff members women and 13 men.

	2013	2012
Gross salaries	1,665,780	1,428,533
Spanish social security	237,547	191,174
Other social benefits	102,528	121,591
Total salaries and employee benefits	**2,005,855**	**1,741,298**

(in Euros)

In 2013 the Organization had the benefit of seconded staff from the China Securities Regulatory Commission (CSRC), Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Securities and Futures Commission of Hong Kong (SFC), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Securities and Exchange Commission of Nigeria (NSEC), the Financial Services Board of South Africa (FSB), the Spanish Comisión Nacional del Mercado de Valores (CNMV), the Capital Markets Board of Turkey (CMB), the Financial Services Authority of United Kingdom (FSA), the Financial Industry Regulatory Authority of the United States (FINRA) and the Securities and Exchange Commission of the United States (SEC).

The normal mode of operation of the secondment program is for the Organization to enter into a trilateral agreement between the sponsoring member and the secondee, offering the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat temporarily. These contributions generally cover a portion of the seconded staff's salary costs paid through the Organization. Revenue is recognized based on the terms, amounts and payment schedule determined by the Secondment agreement between the Organization and the sponsoring member. The amounts payable to the secondee as part of the respective employment contract are recognized and accrued as an expense. In order to enhance comparability, the amounts corresponding to the secondment program, both revenue and expenditure have been removed from the Statement of Comprehensive Income and any differences between revenue and subsidized costs arising from social security adjustments are recognized on a net basis in the income statement in the salaries heading, as is shown in the chart below:

	2013	2012
Revenue associated to the Secondment Program	299,738	307,277
Subsidized expenditure associated to the Secondment Program	(312,779)	(310,387)
Net as at December 31, 2013	**(13,041)**	**(3,110)**

(in Euros)

In addition, as part of the secondment agreements and in compliance with the IOSCO Secondment Program, IOSCO assumes certain costs, which are also recognized in the income statement in the salaries heading, related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to € 56,549 (€ 124,158 for the year 2012).

There is a minority of cases where, as distinct from the above trilateral agreement, the sponsoring member continues to take care directly of all the employment, administrative and financial requirements with regard to the secondee, where IOSCO does not have any direct formal employment link with the secondee and does not hold any financial obligation, and in consequence revenue and the related expenditure has not been accrued.

5 PIOB Funding

The Monitoring Group, is a group of international financial institutions and regulatory bodies committed to advancing the public interest in areas related to international audit standard setting and audit quality.
The members of the Monitoring Group are the Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organization of Securities Commissions, and the World Bank.

The Monitoring Group´s mission is to

- cooperate in the interest of promoting high-quality international auditing and assurance, ethical and education standards for accountants;
- monitor the implementation and effectiveness of the IFAC Reforms, and in that connection, to undertake an effectiveness assessment of the IFAC Reforms and other aspects of IFAC's operations that involve the public interest;
- through its Nominating Committee, appoint the members of the Public Interest Oversight Board (PIOB);
- monitor the execution by the PIOB of its mandate;
- consult and advise the PIOB with respect to regulatory, legal and policy developments that are pertinent to the PIOB's public interest oversight; and
- convene to discuss issues and share views relating to international audit quality as well as to regulatory and market developments having an impact on auditing.

The Public Interest Oversight Board (PIOB) was formally established in February 2005 as part of the IFAC Reform Proposals with the objective to increase investor and other stakeholder confidence that IFAC's public interest activities, including standard setting by IFAC's independent boards, are properly responsive to the public interest.

With the view of diversifyng funding sources for the PIOB, the IOSCO Executive Commitee decided in October 2011 to provide the PIOB a direct financial contribution of one hundred thousand Euros per year, starting in 2013.

6 IOSCO Foundation start-up costs

The IOSCO Board agreed in October 2012 to explore the feasibility of setting up an IOSCO Foundation to raise and apply additional funds to certain key activities. This exploratory phase consisted of seeking external legal, and tax advice for the creating of a legal entity and conducting a preliminary outreach exercise to assess the potential of raising resources from external funding sources

The costs of these activities have been fully funded by IOSCO and comprise: legal and tax advisory services, consulting fees and travel costs, to total €215,488 in 2013.

7 Cash and Term Deposits

Cash is held in current bank accounts or bank term deposits denominated in Euros in Barclays Bank, S.A.U.,and Santander Private Banking, both EU entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts. There are no restrictions for the use of cash.

The basic terms of the bank deposits as of 31 December 2013 are shown in the chart below:

				2013
Counterparty	**Currency**	**Maturity date**	**Annualized interest rate**	**Amounts**
Santander Private Banking	Euro	06/10/2014	1.599%	500,000
Santander Private Banking	Euro	10/01/2014	0.860%	500,624
Santander Private Banking	Euro	12/01/2014	0.860%	500,624
Santander Private Banking	Euro	14/01/2014	0.860%	500,624
Santander Private Banking	Euro	16/01/2014	0.860%	500,625
Total as at December 31, 2013				**2,502,497**

8 Capital Assets

			2013
	Furniture and fixtures	**Computer equipment**	**Total**
At the lower of recoverable value and cost			
Balance, beginning of year	59,485	593,191	652,676
Additions	-	14,975	14,975
Disposals	-	-	-
Balance, end of year	**59,485**	**608.166**	**667,651**
Accumulated depreciation			
Balance, beginning of year	(29,824)	(546,803)	(576,627)
Depreciation	(9,398)	(27,627)	(37,025,)
Disposals	-	-	-
Balance, end of year	**(39,222)**	**(574,430)**	**(613,652)**
Net as at December 31, 2013	**20,263**	**33,736**	**53,999**

(in Euros)

	Furniture and fixtures	Computer equipment	2012 Total
At the lower of recoverable value and cost			
Balance, beginning of year	42,450	573,634	616,084
Additions	17,035	19,556	36,591
Disposals	-	-	-
Balance, end of year	59,485	593,190	652,675
Accumulated depreciation			
Balance, beginning of year	(21,834)	(513,820)	(535,654)
Depreciation	(7,990)	(32,983)	(40,973)
Disposals	-	-	-
Balance, end of year	(29,824)	(546,803)	(576,627)
Net as at December 31, 2012	**29,661**	**46,387**	**76,048**

(in Euros)

9 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2013	2012
Secondment contributions	82,402	112,039
Other	17,167	9,990
Total Accounts receivable	**99,569**	**122,029**

(in Euros)

b) Accounts payable and accrued liabilities

	2013	2012
Professional services	42,774	43,549
Occupancy	75,000	85,000
Spanish Taxes (employee's income tax withheld) and Social Security	97,912	77,542
Contractual staff commitments	79,406	43,041
Travelling	37,389	74,655
Other	84,735	68,076
Total Accounts payable and accrued liabilities	**417,216**	**391,863**

(in Euros)

10 Information Included in the Statement of Cash Flows

The increases (decreases) in working capital items are detailed as follows:

	2013	2012
Accounts receivable	(22,460)	22,802
Prepaid expenses	(21,941)	50,949
Accounts payable and accrued liabilities	(25,353)	(184,947)
Contributions received in advance	(139,275)	(38,745)
Increases (decreases) in working capital	**(209,029)**	**(149,941)**

(in Euros)

11 Taxation

On 29 December, 1999, the Spanish Parliament passed legislation (Law 55/1999), to exempt the Organization from Spanish income tax. On 23 November 2011, IOSCO signed a Headquarters Agreement with the Kingdom of Spain upgrading and improving the current legal and tax framework for IOSCO in Spain.

12 Government Assistance

As part of the localization agreement in Madrid, IOSCO receives from the Spanish Authorities the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance expenses (electricity, water, elevator maintenance, etc). The estimated revenue in kind associated to the 56% share to use free of charge of the 12 Oquendo premises is of 408,000 Euros.

Additionally, until 2012 (year included), in the agreement between the Comisión Nacional del Mercado de Valores (CNMV) and IOSCO, there was a cap to all non-structural maintenance expenses borne by IOSCO. This amount was adjusted annually by the corresponding Consumer Price Index. The total for non-structural maintenance expenses never exceeded the cap. In October the protocol between IOSCO and the Spanish Authorities was renegotiated and the cap on maintenance expenses was removed.

Finally, the agreement between the Comisión Nacional del Mercado de Valores (CNMV) and IOSCO set out that the CNMV will be responsible for meeting the costs of security and maintenance of security systems in the IOSCO premises; insuring the premises; and municipal and local property taxes. These revenues in kind have been estimated at € 89.207,84 for 2013 (€ 85,185 in 2012).

13 Rental and Maintenance

	2013	2012
Estimated Spanish Authorities' charges for non structural maintenance costs	75,000	85,000
Other external maintenance services	8,559	12,147
Total rental and maintenance	**83,559**	**97,147**

(in Euros)

14 Subsequent Events

In the opinion of the management there are no significant events that need to be reported.

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