



Report from the Chair of the IOSCO Board

Greg Medcraft

- > Chair of the IOSCO Board
- > Chair of the Australian Securities and Investments Commission

This, again, has been a year of significant achievement for IOSCO.

This year we have reinforced our position as the key global reference point for securities regulation through all the work we have done. Importantly, it's been a year in which we agreed our Strategic Direction to 2020 and took our first steps to implement the Action Plans under that strategy.

I want to thank all our members not only for committing to the Strategic Direction and Action Plans but, very importantly, to funding it. For some, this additional commitment has been very significant for which we are very grateful.

Our Objectives

Before running through our achievements this year, I want to recap on what I see as our collective strategic objective.

I have always seen our collective objective as allowing the markets we regulate to fund the real economy and support economic growth. We do this by ensuring three things:

- > Investors can have trust and confidence in our markets;
- > Those markets are fair, transparent, orderly and efficient; and
- > The systemic risks they pose are being mitigated.

The 2020 Strategic Direction recognizes that we achieve these through three sets of activities across our six priority areas. Those activities are:

- > Identifying and researching the risks our markets face globally and developing standards and guidance to address those risks;

- > Assisting our members in building capacity and co-operating to develop, supervise and enforce laws in their jurisdiction; and
- > Acting as an advocate for the collective interests of our members in international fora, such as the Financial Stability Board.

The 2020 Strategic Direction identified the key challenges and risks these activities are intended to address – including globalization, the impact of technological innovation and the increased significance of market-based finance.

Importantly, the Strategic Direction also recognized that each of our activities and each Action Plan is intended to benefit all our members, whether they are from developed or from growth and emerging markets.

Our Achievements

We have made significant progress in each of these areas.

I would like to thank the Vice Chairs, the General Secretariat, the Board and our committees for their

significant contribution to our achievements this year. The Secretariat has again worked diligently and professionally to deliver for our members. The Growth and Emerging Market (GEM) Committee, under the strong leadership of Ranjit Ajit Singh of Malaysia, has worked to ensure the interests of its members not only have a profile at the Board level, but are also supported and promoted. It has been a great team effort.

Research and Risk Identification

This is an area in which we have been very active in the last year. We have paid much attention to developments in digital technology and have gained a better understanding of the volatility and uncertainty we have seen in our markets. Our Board roundtables and stakeholder meetings have, for instance, focused on digital disruption and developments such as distributed ledger technology (blockchain). Our *Securities Markets Risk Outlook* highlighted the key risks our markets face – including market illiquidity – an issue that has been an important topic for discussion at the Board level throughout the year.

Guidance and Standards

We issued important guidance to address the challenges identified in setting the 2020 Strategic Direction.

We outlined our approach to cyber resilience and regulating cross-border activity.

We issued guidance on simple, transparent and comparable securitization and outlined our thinking on SME financing, crowdfunding, liquidity management and custody in collective investment schemes, post-trade transparency in CDS markets and on important issues for intermediaries (including practices for assessing creditworthiness and managing trading risks and business continuity). Importantly, we also have issued guidance on sound practices for investor education.

Work continues on audit quality, asset management, the risks posed by CCPs and market conduct in wholesale markets. The GEM Committee has also started important work on digitalization and corporate governance.

Implementation Monitoring

Implementation monitoring continues to be our main vehicle for encouraging members to implement the standards we develop. The intensity of our monitoring activity through 2014 has continued into 2015.

We published reports about implementation of key post crisis reforms, including implementation of

the *Principles for Financial Market Infrastructures*, *Principles for Oil Price Reporting Agencies*, *Principles for Financial Benchmarks*, *Standards for Derivative Market Intermediaries Regulation*, and our guidance on incentive alignment in securitization and money market fund reforms.

We also embarked on a review of implementation of our *Recommendations regarding the Protection of Client Assets*.

We built on the success of our Country Review of Pakistan with a soon to be published Country Review of Trinidad and Tobago.

Capacity Building

2015 has been a year of real achievement in working with our members to build their regulatory capacity.

We developed the framework for our regional hubs, with the first hub to be established in Kuala Lumpur later in 2016. We designed online training programs on enforcement and risk based supervision, which were launched early in 2016. Good progress was made on the design of a Global Certificate Program to be conducted from 2016 in conjunction with the Program on International Financial Systems at Harvard Law School. Our members, particularly those from growth and emerging markets, will benefit immensely from these initiatives. I want particularly to thank Secretary General David Wright and the Secretariat for their tireless work in and commitment to these initiatives.

Co-operation and Information Exchange

We again made good progress in reinforcing co-operation between our members, with 109 of our members being signatories to the Multilateral Memorandum of Understanding on cooperation and the exchange of information (MMoU), as of March 2016.

Excellent progress was also made in finalizing the Enhanced MMoU, which recognizes the increased challenges of cross-border enforcement activity in increasingly globalized, technologically enabled markets.

Advocacy

This year we were far more effective in our advocacy of the interests of our members and the markets we regulate at the Financial Stability Board (FSB) and on the international stage more generally. Given the increased focus of both the FSB and the G20 on



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market-based finance, this was not only desirable, but necessary.

We advocated and saw an increase in the number of our members participating across key FSB committees and working groups (including the Standing Committee on Assessment of Vulnerabilities, the Standing Committee on Standards Implementation and the FSB's Shadow Banking Working Group (WS3), with Natasha Cazenave of the AMF France co-chairing the FSB's work on asset management). We were more vocal and influential at all levels, from the plenary through to working groups. This was most evident in the FSB's work on asset management, where we agreed that a full review of asset management activities and products in the broader global financial context should be the immediate focus of international efforts to identify potential systemic risks and vulnerabilities. Our increasing influence was also evident in the invitation I received to participate in the Annual Meeting of the World Economic Forum in Davos in January 2016 and the IMF Spring Meeting in Washington DC in April 2016.

A Year of Transition

And finally, this has been a year of transition.

Importantly, 2015 was David Wright's last full year as Secretary General of IOSCO. He led the IOSCO

Secretariat with distinction. We are a stronger and a better organization for his sterling and passionate contribution to our work. He contributed to a significantly increased profile for IOSCO and led with passion our work on capacity building and work in a number of policy areas, most notably on our credible deterrence. In October, we selected Paul Andrews from the Financial Industry Regulatory Authority (FINRA) of the US to fill David's shoes from March 2016. We look forward to working closely with Paul.

Howard Wetston stood down as Vice Chair in late 2015 when he retired as Chair of the Ontario Securities Commission. Howard, too, has been a passionate advocate for and representative of IOSCO. His wisdom and insight were welcomed and appreciated by the Board. He led both Committee 8 on Retail Investors and the Monitoring Group with distinction. Ashley Alder, CEO of the Hong Kong SFC replaced Howard as Vice Chair in early 2016. We look forward to working with Ashley.

And as we move into 2016, let me thank all of our members for your ongoing commitment and contribution to our work. As a member-based organization, our strength and success depends on that commitment and contribution.