Annual Report 2015

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

OICU-IOSCO

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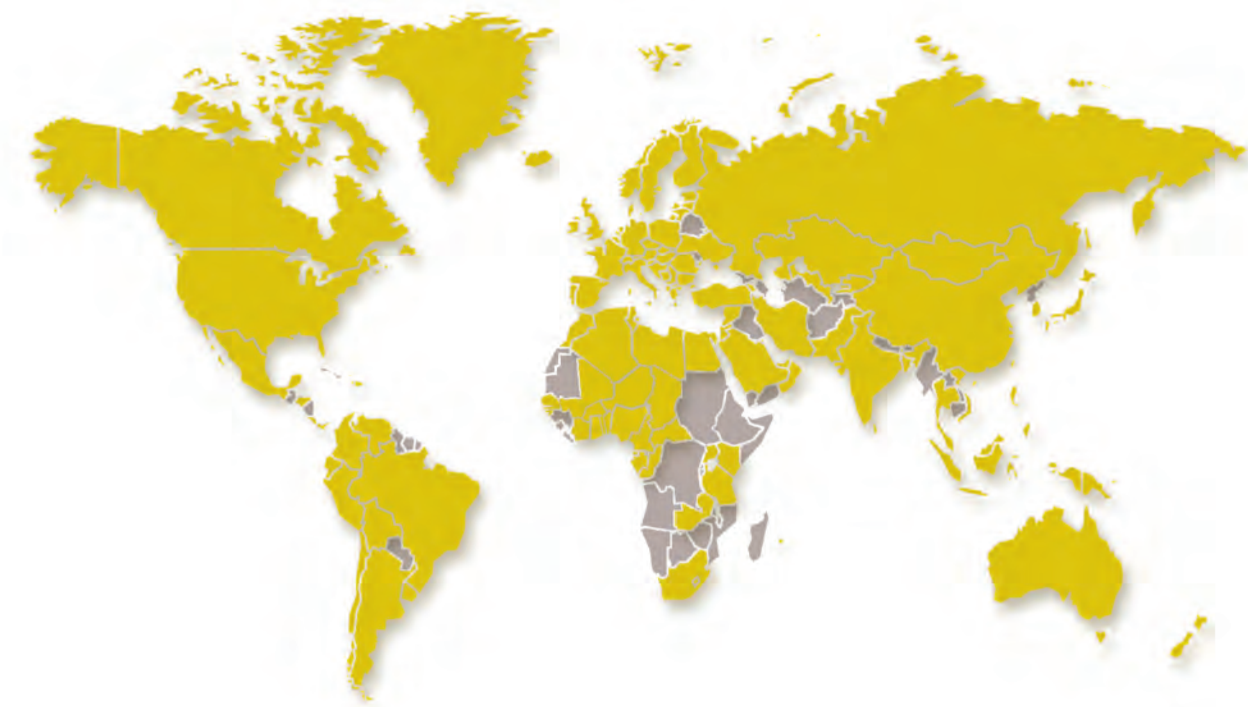
OICV-IOSCO

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.

IOSCO MEMBERSHIP



IOSCO MEMBERSHIP

NON-MEMBER JURISDICTIONS

Note: The following two organizations are ordinary members:

1. The **West African Monetary Union (WAMU)**, which comprises Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo.
2. The **Commission de Surveillance du Marché Financier de l'Afrique Centrale (COSUMAF)**, which comprises Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea, and Chad.

TABLE OF CONTENTS

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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February 11-13, 2015
The Shilla Seoul
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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.

Report from the Chair of the Growth and Emerging Markets (GEM) 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 this year's report on the Growth and Emerging Markets (GEM) Committee. While 2015 was indeed a challenging year for emerging markets in terms of a less favorable external environment, the GEM Committee continues to remain focused on its three strategic priorities in the areas of risk assessments, policy and development work relevant to GEM, and regulatory capacity building. The GEM Steering Committee met three times over the course of 2015 and was central to the process of ensuring that the GEM Committee is effective in achieving its strategic objectives.

Strengthening assessment of risks in emerging markets

The GEM Committee is dedicating significant effort to increase the understanding of global market developments and their implications for emerging markets. Periodic engagements with leading global industry players and international organizations have been a regular feature of all the GEM Committee meetings. Conducted through risk roundtables and discussions, these engagements are aimed at helping members to better understand the risks to markets and to strengthen systemic resilience against global market stresses.

In a similar vein, a conference call between leading market experts and GEM members was arranged in September 2015, to analyze market developments and their implications. The Committee will continue to engage regularly with global market players to obtain relevant feedback.

The GEM Committee also continued to strengthen the voice and influence of emerging markets at the IOSCO Board and other global regulatory discussions. These include discussions at the Financial Stability Board (FSB) and the FSB's Emerging Markets and Developing Economies (EMDE) Forum. At the EMDE Forum held in March 2015, we were given the opportunity to lead discussions on the need for deeper and more resilient capital markets, with a particular emphasis on the importance of improving the functioning and liquidity in corporate bond markets for yielding stronger growth in emerging capital markets.

Enhancing capacity building for emerging market regulators

Capacity building becomes all the more critical in the context of a challenging market environment. Regulators need to continue exercising strong regulatory oversight and to remain vigilant against market stress. As part of the GEM Committee's efforts to strengthen regulatory capabilities to manage risks, the Committee collaborated with the Toronto Centre to conduct a simulated crisis preparedness and contingency planning workshop on the back of the GEM Committee Annual Meeting in Cairo in April 2015. The exercise incorporated situations aimed at testing the regulators' ability to cope with disruptive market events, as well as the different components of the crisis management process, including interaction with relevant stakeholders.

Market Development workshops were also held during the IOSCO Annual Conference in June 2015, and focused on credible deterrence and consumer vulnerability. The workshop attracted a large number of GEM participants and drew high-level speakers from developed and emerging markets.

To further facilitate market developmental efforts, the GEM committee hosted a public conference themed *Accelerating Growth and Development of Emerging Capital Markets,* at its annual meeting in Cairo, Egypt. Topics covered during the conference included derivatives, exchange-traded funds, corporate bond markets and securitization, all with an excellent line up of international speakers. These areas of interest were identified based on members' feedback from the 2015 GEM survey.

Important strides also were made in strengthening the regulatory capabilities of GEM members. The agreement by the IOSCO Board to establish the IOSCO regional hubs will change the way IOSCO delivers capacity building services to its members and will complement the other strands of IOSCO's capacity building, including the Global Certificate Program, the Online Toolkit and the Secondment Program. The IOSCO regional hubs are expected to help alleviate the resource constraints faced by IOSCO and will contribute to the overall strengthening of the regulatory capacity of GEM members.

SME Financing and Mutual Funds in Emerging Markets

In 2015, two reports were published – one on *Financing of SMEs through the Capital Markets*, in July 2015. Led by Bert Chanetsa, Deputy Executive Officer of the Financial Services Board South Africa and Vice Chair of the GEM Committee, the report identifies challenges facing SMEs in accessing market based financing, and examines some of the successful measures implemented by regulators and policy makers to assist SMEs in tapping capital markets for funding.

Further, the joint-work between the GEM Committee and the World Bank culminated in the publication of a report on the *Development of Mutual Funds in Emerging Markets* in November 2015. The study examines mutual fund sectors in emerging markets and identifies best practices of jurisdictions that have exhibited strong growth in this sector. The report contains a toolkit of reforms for policy makers and practitioners seeking to develop their mutual fund industries.

Deepening regulatory and policy work

The GEM Committee currently has several priorities on its policy agenda for 2016. The first relates to digitalization and innovation in capital markets through financial technology or fintech. The impact of digitalization has been rapid and far-reaching in many emerging markets, from extending greater financial inclusion to previously underserved populations, such as retail investors and small enterprises, to increasing efficiency and lowering the cost of financing and the barriers to entry. Led by the Securities Commission Malaysia, the Committee seeks to contribute to IOSCO's ongoing work on fintech, including reviewing the development of digitalization in emerging markets and its impact on regulation and the implications on market risks.

The GEM Committee is also conducting work on *Corporate Governance in Emerging Markets*. Led by the Chair of CVM Brazil and Vice Chair of the GEM Committee, Leonardo P. Gomes Pereira, this report will review corporate governance structures, focusing on specific key areas that are critical for the sustainable growth of market-based financing. This will include the Board composition, accountability and responsibility, incentive structures and remuneration schemes as well as risk management.

Focus for 2016

The GEM Committee remains dedicated to ensuring that regulatory issues of importance to its members are appropriately discussed and considered within the Committee. These efforts have become all the more important given the significance of emerging markets in the global economy and, particularly, when the outlook for emerging markets for 2016 continues to remain challenging.

The GEM Committee will also be looking at strengthening its participation and contribution across the various IOSCO policy committees. Given the breadth of the GEM membership, this presents a significant opportunity for emerging market views to be substantively factored into IOSCO's overall policy and implementation work and standard-setting.

Finally, I would like to take this opportunity to express my gratitude to the two GEM Vice Chairs, Messrs Chanetsa and Pereira, members of the GEM Steering Committee and of the GEM Committee for their strong support and contributions. I would also like to thank the IOSCO Secretary General and the IOSCO General Secretariat for their significant efforts. I am also grateful to the Board Chair and Board members for their continuous support of the GEM Committee.

Report from the Chair of the Affiliate Members Consultative Committee (AMCC)

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

In 2015, the Affiliate Members Consultative Committee (AMCC) continued its work on cybersecurity, highlighting the specific challenges and priorities for the different segments of the financial industry and supporting a collaborative approach to address the threat. Another achievement of the Committee was the successful AMCC 2015 Training Seminar in Zürich, which attracted over 140 attendees – both self-regulators and regulators – for a presentation on the latest trends in market regulation and supervision.

I am pleased to report on the significant initiatives the Affiliate Members Consultative Committee undertook last year. Over the course of 2015, the Committee focused on improving communication, engaging in a number of strategic topics, and leveraging the resources and expertise of our members to support IOSCO´s overall agenda.

AMCC´s work in cybersecurity in 2015

In 2015, the AMCC continued the work conducted the year before by the AMCC Task Force on Cyber Resilience. In order to more completely understand cybersecurity risks, threats and practices in different segments of the industry, the work was divided into two streams:

> One working group focused on the asset management industry, with the objective to develop and administer a global cybersecurity benchmarking survey. The survey consisted of approximately 85 questions covering areas such as policies and procedures, encryption, access control, information sharing and training.

The survey was distributed to individual asset managers via the members of the AMCC working group, with respondents´ identities being kept anonymous. Globally, 195 asset managers responded to the survey, from large multi-national firms to small participants. The survey was intended to provide participants with data for assessing their preparedness relative to others in the industry.

Some general findings of this initial exercise indicated the importance of: ensuring that information security programs are consistent with recognized security frameworks; using long, complex passwords, conducting periodic inventory of devices, software, and applications, and developing an incident response plan. Other results require more careful interpretation, reflecting the changing nature of cybersecurity and the need to consider the firm´s specific risk profile and resources. The survey will be repeated to enable participants to see how information security programs evolve as the landscape of threats grows and changes.

> At the request of IOSCO´s Committee 2 on Regulation of Secondary Markets, a second working group was established to present examples of cybersecurity practices at exchanges, as well as a selection of new, emerging approaches. The report indicates that exchanges are popular targets for attackers with financial or political objectives and describes some of the possible solutions being developed to identify, protect against, respond to and recover from these attacks. The report also notes the role exchanges can play to raise awareness within the industry and strengthen overall cyber-resilience.

The AMCC also organized different events to raise awareness and support regulators in developing their approach to cyber-threats. In June 2015, the AMCC conducted a high-level panel discussion to discuss the cyber-threat landscape and how industry and regulators can work together to address the risks. In July 2015, a webinar was organized for all IOSCO members to present FINRA´s *Report On Cybersecurity Practices*.[1] Lastly, a session at the AMCC 2015 Training Seminar discussed how regulators can engage with regulated entities regarding cybersecurity and the importance of domestic and international collaboration.

Exchanging views

In 2015, the format of AMCC meetings was modified to allow more in-depth discussion and an exchange of views between regulators and market participants. Among the topics addressed through presentations and panel discussions were trends in corporate bond market liquidity, conduct risk and the role of regulation and self-regulation, current and upcoming challenges related to clearing practices, as well as issues related to cross-border regulation.

Sharing information and experience

Launched in 2014, the AMCC Quarterly Newsletter allows members to share information about recent market and self-regulatory developments, as well as about AMCC and IOSCO work. I am very pleased to see the increasing number of contributions to each edition of the Newsletter as well as the positive feedback received from members. During the AMCC meetings, members also have the opportunity to present new trends, changing market practices, as well as innovative regulatory and supervisory approaches. In 2015, AMCC also contributed its knowledge to IOSCO Committee 3 on Regulation of Investment Intermediaries'mandate on OTC Retail Leveraged Products.

Objectives for 2016

In 2016, the Committee will continue its work on cybersecurity as well as explore new topics, especially in the area of financial technology. Several themes have been identified through the work of the AMCC Task Force on Emerging Risks. The AMCC Task Force on Investment Funds Data will also look to support IOSCO Committee 5 on Investment Management. Finally, the Committee and its members (notably those participating in IOSCO´s policy committees) will continue to contribute to IOSCO´s policy agenda by bringing their specific expertise. I would like to thank the members for participating in the AMCC and IOSCO projects, and to acknowledge the support of the Board, the General Secretariat and other IOSCO committees.

1 U.S. Financial Industry Regulatory Authority, *Report on Cybersecurity Practices*, February 2015. The webinar is still available to IOSCO´s members, as well as a summary of the June 2015´s panel discussion.

Report from the IOSCO Secretary General

David Wright
> IOSCO Secretary General

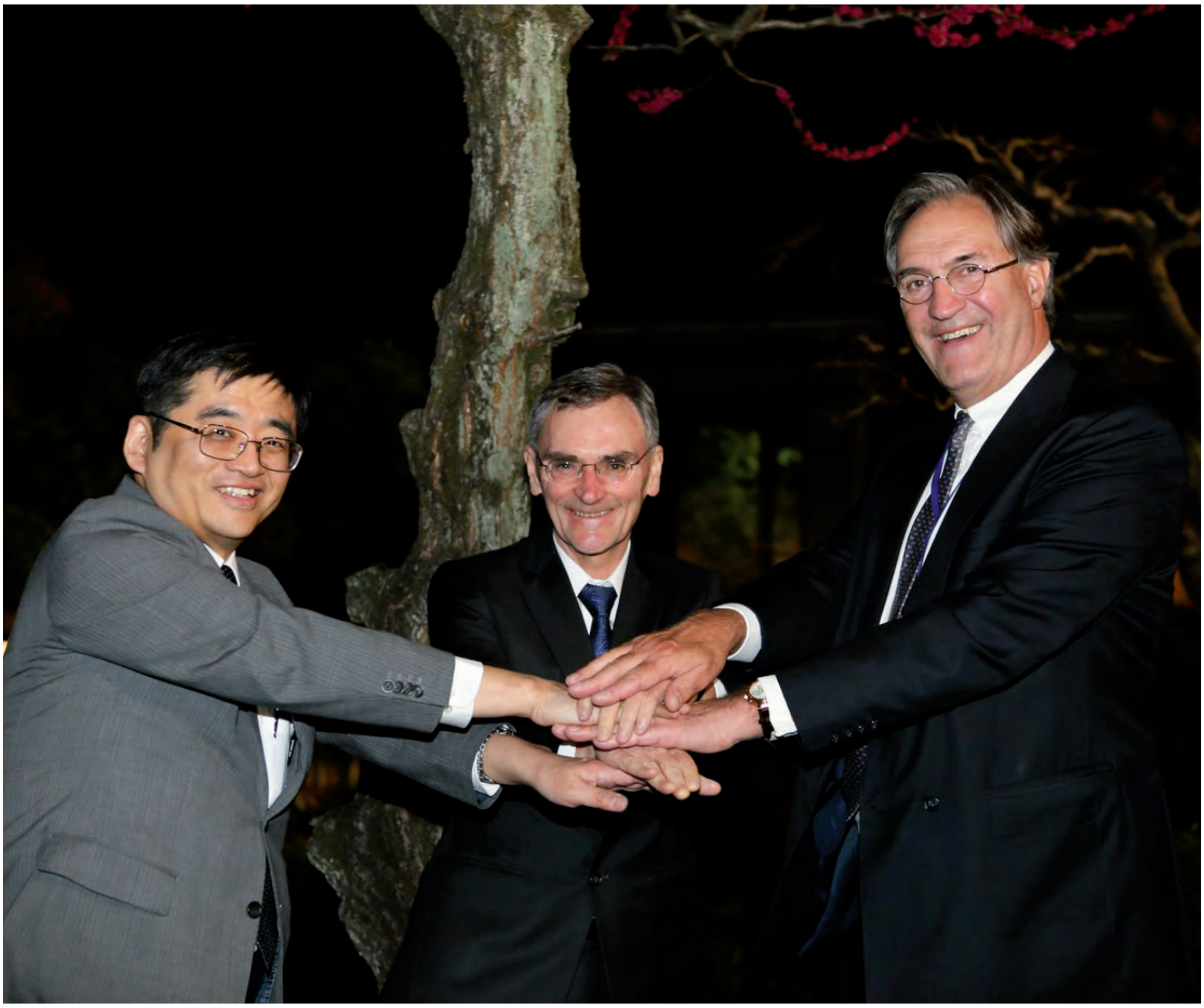
My last 15 months as IOSCO Secretary General have been especially busy. New subjects have surged to the top of the global agenda, including fresh bouts of severe market volatility; cybercrime; asset management issues linked to market liquidity; CCP resilience, recovery and resolution; margin requirements for OTC derivatives; wholesale market conduct, behavior, ethics and corporate governance; reviving sound securitization; SME and infrastructure financing; the new Enhanced Multilateral Memorandum of Understanding on cooperation and the exchange of information; and innovative financial technology (fintech), to name only a few. In all of these areas, IOSCO has a leading and ongoing role to play to shape good cooperative international policy outcomes and, indeed, must do so as global financial markets swing increasingly towards market-based financing instruments - the bread and butter of securities regulators.

In this context, it is crucial that IOSCO supports its Chair in insisting on strengthening its representation in the Financial Stability Board (FSB). Until recently, only one IOSCO member was present in the FSB's research committee (Standing Committee on Assessment of Vulnerabilities) and we remain manifestly underrepresented in the FSB's two other main committees - the policy committee (Standing Committee for Supervisory and Regulatory Cooperation) and the implementation body (Standing Committee on Standards Implementation). In addition, few emerging market securities regulators find their way regularly to the FSB tables. Only central bankers chair the FSB's main committees -- another source of imbalance. With persistence and determination we have at least managed representational parity and a co-Chair (Natasha Cazenave from the AMF France) in the crucial WS3 group preparing the asset management policy work. But there is more to do. The danger of these global representational imbalances is *global group think*, regulatory bias and a failure to consider deeply enough the wider market dimensions and spillovers of global financial reforms.

Happily, the last 15 months have been a far more productive period for IOSCO's capacity building efforts. I am pleased to report that we now have built and agreed a coherent nexus of programs that I believe over time will help spread the best regulatory practice to securities regulators around the world. What are they?

1. A global certificate program available to all IOSCO members and their staffs, drawn up in conjunction with the Program on International Financial Systems at Harvard Law School. The first such program is scheduled to start in 2016.

2. The first two detailed on-line training modules on risk based supervision and enforcement, including tests. These modules are available free to all IOSCO members in the members area of the IOSCO website. We will work on expanding the number of these modules in the future so that eventually all aspects of securities regulation are covered. Raluca Tircoci-Craciun of the IOSCO General Secretariat deserves enormous credit for shepherding this ambitious project from the drawing board to the computer screen and now truly underway.



3. The launching of IOSCO's regional hubs in 2016 with Board agreement that Malaysia will host the first hub, followed by Turkey and the United Arab Emirates. These hubs will support IOSCO's overall educational and training capacity and design custom-made programs in each region.

4. The IOSCO secondment register has been set up to facilitate personnel exchanges between IOSCO members, matching supply with demand. It should be used more.

5. The IOSCO Secretariat has widened the range of training opportunities for members, and an increasing number of members has benefitted from IOSCO training activities. In the 15 months to March 2016, some 970 people attended ten different courses, considerably more than in previous years. Each course is evaluated and the average level of appreciation in all cases has been very high. Cecile de Wit and Gary Tidwell deserve much praise, as do GEMC Chair Ranjit Ajit Singh and AMCC Chair José Carlos Doherty, whose respective training activities have increasingly gained importance for our membership.

Maintaining the quality of these capacity building programs over time will require on-going critical assessment, adaptability, forward thinking, sufficient resourcing and the support of members to provide interesting case material and top class presenters. In this regard, the APRC webinars on various aspects of securities regulation have proven to be a successful and innovative experiment.

The IOSCO 2020 strategy exercise was concluded at the very successful London Annual Conference hosted by the UK FCA in June 2015. It sets out the future resourcing and financing needs for IOSCO until 2020 and gives us important medium term financial stability and predictability, allowing us to strengthen our work in some areas such as for emerging market countries. Steven Bardy from ASIC, Tajinder Singh, Jonathan Bravo and Raluca Tircoci-Craciun from the IOSCO Secretariat worked tirelessly to achieve this outcome.

Looking ahead, I think there are a number of new and important subjects that IOSCO must prepare for. For example, I believe the *green financing* agenda is with us permanently (sustainability) and so issues like integrated reporting, the valuation of natural assets and enhanced disclosure will grow in importance. We need to occupy the ground and shape the outcomes.

Second, data quality and availability must improve. In most cases, data quality is poor, unharmonized, late and partial. How can effective regulatory policies be made in these suboptimal conditions? One unfortunate example is trade repositories, where the 29 existing trade repositories have data that are neither harmonized nor aggregated. But there are wider concerns and needs here such as being able to detect serious or systemic risk much more quickly - with the obvious correlative benefit of being able to understand much better the overall flows of the global financial system.

If we are honest, our overall level of macro- and micro-understanding of financial markets today is still far from satisfactory, in spite of the fact that we have lived through and experienced a massive, dangerous financial crisis in which the world could have lost as much as 25% of global gross domestic product. Progress on improving data has been totally insufficient but hope may be on the horizon. Could the new blockchain technologies perhaps help resolve these challenging data issues in the medium term? There are also other important dimensions to data issues such as data privacy made more prominent by a recent decision of the European Court of Justice to invalidate the EU-U.S. data-sharing scheme known as Safe Harbor, and the need for fair access to financial data to ensure open and competitive markets.

Third, on the issue of competition, do securities regulators work closely enough with the competition authorities to weed out illegal, anti-competitive market practice? Perhaps not enough. The recent Libor and Forex scandals should leave us with no sense of complacency.

Fourth, behavior and governance of financial firms continue to be an issue. One leading financial expert has commented that the biggest tail-risk in the financial system is people. Should we not be developing a range of structural and behavioral corporate indicators that could point to possible financial failures in the future? Our work on wholesale market conduct is of immense importance in this context. The type of individuals who run major firms and how they are managed really matters.

Fifth, forthright disclosure of the real costs of financial transactions and intermediation is an issue that calls for greater attention. Too often, these costs are camouflaged and obscured. Consumers should be told the truth; pricing should be 100% transparent, like buying provisions in a supermarket, and any mis-selling should result in the severest of penalties and, in the worst case, that should mean jail.

Finally, pulling all remaining non-MMoU IOSCO members into the fold to join the 109 authorities who had signed the MMoU by March 2016 would be truly an outstanding outcome. This is a remarkable IOSCO success story which will be developed further with the Enhanced MMoU in the future.

Let me conclude this contribution by thanking profoundly IOSCO Board Chair Greg Medcraft for his boundless energy, dedication and enthusiasm; our Vice Chairs Howard Wetston, Ranjit Anjit Singh and Ashley Alder, AMCC Chair José Carlos Doherty and all of IOSCO's regional, committee and task force chairs who have driven our organization forward. And, I would be remiss if I did not thank Masamichi Kono, my first IOSCO Chair, from whom I learnt a great deal.

I have been blessed by having a generous and thoughtful host authority, the Comision Nacional del Mercado de Valores of Spain, and on behalf of IOSCO I am deeply grateful to Elvira Rodriguez, its Chair. We also have excellent relations with our counterparts in the Basel Committee on Banking Supervision, the International Association of Insurance Supervisors, the Committee on Payments and Market Infrastructures, and the International Accounting Standards Board, and I have appreciated their strong support over the years.

And my last word is for the IOSCO Secretariat staff. They have all worked tirelessly and selflessly for IOSCO, and for me. We are now more international than ever before, with 22 nationalities represented and, as a result, are even more fit -for-purpose. I thank them all most sincerely, and especially my exceptional deputy, Tajinder Singh.

I now pass the torch to the new Secretary General, Paul Andrews, an outstanding person and internationalist, who with your help, I am sure, will take IOSCO to the next level. I leave many IOSCO friends behind all over the world whom I hope to see in the future because I intend to work further, in new domains, on strengthening international regulatory cooperation and integration in the years ahead.


Board Meeting
Committees and Task Forces
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FINANCIAL SERVICES COMMISSION
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SECRETARY GENERAL
CHAIRMAN OF THE IOSCO BOARD
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Board Meeting
Committees and Task Forces

Activities of IOSCO's Policy Committees in the Year

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 and supported by the General Secretariat:

> Issuer Accounting, Audit 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 (GEM) 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 addition to the policy committees, several task forces were entrusted in 2015 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 Cross-Border Regulation
> Working Group on Risk Mitigation Standards
> Audit Quality Task Force
> Task Force on Market Conduct

Committee on Issuer Accounting, Audit and Disclosure - C1

Committee Chair:
Julie A. Erhardt (US SEC)
Committee Vice Chair:
Patrick Parent (France AMF)

The Committee on Issuer Accounting, Audit and Disclosure (C1) is devoted to improving the development of accounting and auditing standards, and enhancing the quality and transparency of the disclosure and financial information that investors receive from listed companies. IOSCO considers the quality of disclosure and the accuracy, integrity and comparability of financial statements, and the transparency they provide, to be essential for protecting investors and thereby maintaining investor confidence in the public capital markets. Investor confidence also contributes to the long-term stability of the international financial system.

IOSCO recognizes that disclosure of reliable, timely information that is readily accessible contributes to liquid and efficient markets by enabling investors to make investment decisions based on material information. To advance this objective, Committee 1 develops international disclosure standards and principles that provide a framework for member jurisdictions seeking to establish or review their disclosure regimes for entities that issue securities. Committee 1 also monitors significant international developments related to disclosure in order to identify potential issues related to investor protection.

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

The IFRS Foundation is the legal entity under which the International Accounting Standards Board (IASB) operates. Its mission, through its IASB standard-setting body, is to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability and efficiency to financial markets around the world. Committee 1 contributes to the standard-setting work of the IASB through its involvement in the IASB´s work streams and its comment letters on IASB proposals. 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. Committee 1 provided input in 2015 on numerous IASB proposals and the IFRS Foundation Trustees' Review of Structure and Effectiveness. These comment letters are available on the IOSCO website.

IOSCO believes that there is an important role to be played by a set of international auditing standards in contributing to global financial reporting and supporting investor confidence and decision making. 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) and participates in their respective Consultative Advisory Groups (CAGs). Committee 1 provided input in 2015 on several IAASB and IESBA proposals. These comment letters are also available on the IOSCO website.

In response to a string of corporate financial reporting scandals at the turn of the century, IOSCO became a founding member of the Monitoring Group (MG) of international organizations that is committed to advancing the public interest in areas related to international audit standard setting and audit quality. Committee 1 also represents IOSCO as an official observer at the International Forum of International Audit Regulators (IFIAR) Plenary meetings. In this capacity, Committee 1 provides updates to, and liaises with, IFIAR on relevant IOSCO work streams.

Other Activities in 2015

In September 2014, IOSCO issued a proposed *Statement on Non-GAAP Financial Measures,* which sets out IOSCO´s expectations for issuers with respect to their presentation of financial measures other than those prescribed by Generally Accepted Accounting Principles (GAAP). Non-GAAP financial measures can be useful to issuers and investors because they can provide additional insight into an issuer's financial performance, financial condition and/or cash flow. The use of non-GAAP financial measures also can provide issuers with flexibility in communicating useful, entity-specific information. The comments received were considered in 2015 and the final statement is expected to be published in the first half of 2016.

In November 2015, IOSCO published the final report *Transparency of Firms that Audit Public Companies.* The report addresses "audit firm transparency reporting" which considers the practices employed by audit firms to be transparent in their own reporting to investors and other stakeholders about the firm itself, notably, with respect to firm governance and elements of their system of quality control for their financial statement audits. Transparency reporting can foster internal introspection and discipline within audit firms

and may encourage audit firms to sharpen their focus on audit quality, which would be of benefit to investors and other stakeholders.

Committee 2 on Regulation of Secondary Markets - C2

Committee Chair:
Susanne Bergsträsser, (Germany BaFin)
Committee Vice Chair:
Tracey Stern, (Ontario OSC)

The Committee on Regulation of Secondary Markets (C2) looks at recent developments in the structure of global capital markets and financial market infrastructure, and analyzes how they contributed to, and are affected by, the financial crisis and other factors such as technological innovation.

Trading venues and technological disruption

In December 2015, Committee 2 issued a final report on *Mechanisms for Trading Venues to Effectively Manage Electronic Trading Risks and Plans for Business Continuity*. The report provides a comprehensive overview of the steps trading venues take to manage the risks associated with electronic trading and the ways they plan for and manage disruptions through business continuity plans (BCPs).

Based on the survey responses from trading venues and trading venue participants from more than 30 jurisdictions, the report makes recommendations and identifies sound practices to help regulators ensure that trading venues are able to manage effectively identified risks, such as those related to technology. It also proposes sound practices that should be considered by trading venues when developing and implementing risk mitigation mechanisms and business continuity plans aimed at safeguarding the integrity, resiliency and reliability of their critical systems.

The report forms part of IOSCO´s ongoing work on the impact of technology on markets. Although technological developments and electronic trading offer many benefits, recent incidents involving sudden selloffs, trading delays and glitches illustrate the risks associated with the markets' increasing reliance on technology. If problems arise, technological innovation can pose risks to the efficiency and integrity of markets and undermine the overall confidence in financial markets.

Published in conjunction with the report *Market Intermediary Business Continuity and Recovery Planning*, prepared by Committee 3 on Regulation of Market Intermediaries, the Committee 2 report seeks to enhance the ability of financial markets and intermediaries to manage risks, withstand catastrophic events and swiftly resume their services in the event of disruption.

Liquidity in global corporate bond markets

During the year, the committee also conducted further work on liquidity in global corporate bond markets. The key issues under consideration were:

- Whether bond market liquidity has decreased compared to historical norms in member jurisdictions and, if so, what the potential negative consequences are for fair and efficient markets, investor protection and financial stability.
- The potential causes for the perceived decrease in liquidity and whether a liquidity crisis will or will not develop and, if it will, the potential consequences.
- The view of the industry as to whether the markets will be able to solve any liquidity issue on their own, or whether it believes there is a role for regulatory intervention.

Committee 3 on Regulation of Market Intermediaries – C3

Committee Chair:
Stephen Po (Hong Kong SFC)
Committee Vice Chair:
Choi Kiyoung (Korea FSC/FSS)

Proposed Methodologies to identify systemically important non-bank financial entities

In 2015, IOSCO published jointly with the Financial Stability Board (FSB) a second consultation paper on a proposed assessment methodology for identifying global, non-bank non-insurance systemically important market intermediaries in the securities sector. As part of this project, Committee 3 worked on developing a methodology aimed at assessing the systemic significance of market intermediaries. (*See the section below on Committee 5 on Investment Management for full details*).

Global Prudential Standards in the Securities Sector

In February 2015, Committee 3 published a final report entitled *A Comparison and Analysis of Prudential Standards in the Securities Sector,* which provides a high level comparative analysis of the key prudential/ capital frameworks for securities firms around the world.

IOSCO´s aim is to identify and then eliminate gaps and inconsistencies between prudential frameworks, thereby reducing regulatory arbitrage and competitive inequalities across jurisdictions and facilitating the convergence of prudential standards over the longer term.

The capital adequacy standards are 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. The Committee 3 report forms part of 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.

Sound Practices at Large Intermediaries relating to the Assessment of Creditworthiness and the Use of Credit Ratings

IOSCO published its final report on *Sound Practices at Large Intermediaries relating to the Assessment of Creditworthiness and the Use of Credit Ratings,* in December 2015. The report recommends 12 sound practices that regulators could consider as part of their oversight of market intermediaries. Large market intermediaries also may find the sound practices useful in the development and implementation of effective alternative methods for the assessment of creditworthiness.

IOSCO undertook this work on the premise that reducing the overreliance on credit rating agencies (CRAs) for credit risk assessment would help enhance investor protection, while contributing to market integrity and financial stability.

The report was inspired by the FSB publication in 2010 of *Principles for Reducing Reliance on CRA Ratings* which recommended that market intermediaries should exercise their own due diligence in independently assessing credit and other investment risks, rather than mechanistically rely on CRA ratings. The FSB Principles called for standard setters and regulators to consider the necessary steps for translating the Principles into more specific policy actions.

Crowdfunding

In December 2015, the Committee also published its *Crowdfunding 2015 Survey Responses*. This report examines the developments in members´ current or proposed regulatory regimes for investment–based crowdfunding and highlights emerging trends and issues in this area. It also describes factors that regulators may find useful for the development of regulatory measures to address the inherent risks unique to crowdfunding, such as the high risk of default or failure, the risk of fraud and the risk of platform failure.

Based on the findings from this survey, Committee 3 also published a *Statement on regulation of crowdfunding,* which seeks to raise awareness of some of the major risks investors face in crowdfunding.

IOSCO´s objective in this area is to encourage regulators and policy makers to balance the need for supporting economic growth and recovery with that of protecting investors when developing crowdfunding as a means to invest in small firms and start-ups.

Other Mandates

In 2015, Committee 3 also conducted work on retail OTC leveraged products. The work involved a survey of Committee 3 members focused on three particular types of OTC products that are offered and sold to retail investors in many jurisdictions: rolling-spot forex contracts, contracts for differences (CFDs) and binary options. Another ongoing Committee 3 project involves order routing incentives and how these may affect order routing behaviors by regulated market intermediaries. Finally, Committee 3 is also updating the regulators survey on automation of advice tools. Work on these mandates will continue in 2016.

Committee on Enforcement and Exchange of Information – C4

Committee Chair:
Georgina Philippou (UK FCA)
Committee Vice Chair:
Jean-Francois Fortin (Québec AMF)

Credible Deterrence

Recent scandals at some of the world's largest financial institutions has undermined public confidence in capital markets and eroded trust in the financial system, while casting doubt on the effectiveness of regulators to eradicate and punish egregious misconduct.

In light of the public demand for tougher sanctions to deter this type of market misconduct, Committee 4 issued, in June 2015, the report *Credible Deterrence*, which identifies key enforcement factors that may deter misconduct in international securities and investment markets. Taking into account the wide divergence in international sanctions regimes, the report provides a set of factors upon which jurisdictions can build credible deterrence frameworks using real life examples from IOSCO members.

Credible deterrence is a vital component of any effective enforcement strategy. Deterrence is credible when would-be wrongdoers perceive that the risks of engaging in misconduct outweigh the rewards and when non-compliant attitudes and behaviors are discouraged. Deterrence occurs when persons who conteplate engaging in misconduct are dissuaded from doing so because they have an expectation of detection and that detection will be rigorously investigated, vigorously prosecuted and punished with robust and proportionate sanctions.

The report highlights seven key elements for credible deterrence:

1. **Legal certainty**: Consequences for misconduct must be certain and predictable;
2. **Detecting misconduct**: Regulators must be well connected and obtain the right information;

3. **Co-operation and collaboration**: Safe havens must be eliminated by regulators working together;
4. **Investigation and prosecution of misconduct**: Enforcement must be bold and resolute;
5. **Sanctions**: Strong punishments must be given to wrongdoers so as to stop them from profiting from misconduct;
6. **Public messaging**: Public understanding, transparency and caution must be promoted;
7. **Regulatory governance**: Good governance is necessary to deliver better enforcement.

Committee 4 is continuously gathering and updating real life examples from IOSCO members, which other member jurisdictions can refer to when building their own credible deterrence frameworks.

Enforcement Cooperation

IOSCO believes that enforcement cooperation among regulators is essential to attain effective global regulation and robust securities markets around the globe. To that end, Committee 4 continued to work with the MMoU Screening Group to encourage 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 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. *(For more information on the MMoU see MMoU Screening Group under the chapter **Implementation and the MMoU**).*

Committee 5 on Investment Management - C5

Committee Chair:
Natasha Cazenave (France AMF)
Committee Vice Chair:
Yuri Yoshida (Japan FSA) since September 2015

Proposed Methodologies to identify systemically important non-bank financial entities

In March 2015, IOSCO and the FSB published the second consultation document *Assessment Methodologies for Identifying Non-Bank Non-Insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs).* The aim of the proposed methodology was to identify NBNI financial entities whose distress or disorderly failure would cause significant disruption

to the wider financial system and economic activity at the global level, because of their size, complexity and systemic interconnectedness.

The first consultation report was published in January 2014, with a view to developing an assessment methodology for NBNI G-SIFIs that would complement the current methodologies for identifying global systemically important banks and insurers. Committee 5 worked on developing a methodology aimed at assessing the systemic significance of investment funds; Committee 3 on the Regulation of Market Intermediaries identified a set of similar indicators for market intermediaries.

Consultative responses were received from more than 50 respondents, including trade associations, individual firms and individuals. Most of the respondents focused on the proposed methodology for investment funds and asked for a more thorough analysis of the systemic risks associated with asset management entities, prompting the FSB and IOSCO to launch the second consultation paper. Some 50 comments were received.

In June 2015, the IOSCO Board decided 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, and that this review should take precedence over further work on methodologies for the identification of systemically-important asset management entities. It was agreed that work on methodologies for the identification of such entities should be reassessed after the review was completed.

Structural Vulnerabilities in Asset Management

Based on guidance received from the IOSCO Board at its Seoul (Feb 2015) meeting, IOSCO's Committee 5 set-up three subworking groups (SWG) covering the following topics.

- SWG 1 - Data Gaps
- SWG 2 – Liquidity Management
- SWG 3 – Loan Origination Funds

This work is ongoing and will help inform discussions with the FSB.

SWG1 - Data Gaps

The SWG1 is seeking to take stock of currently available data, and to identify where the data collected could be enhanced notably to help regulators monitor risks across the industry. The first phase of the work will be a report (due mid 2016) that will suggest a number of high-level recommendations. The second phase, to commence mid-2016, will prioritize highlighted data gaps and/or definitional issues for further work. More granular work will then begin on enhancing data collection.

SWG2 –Liquidity Management

The objective of SWG2 is to provide useful input, from the perspective of securities markets regulators, to the broader debate on liquidity risk management in Collective Investment Schemes (CIS). As a result, Committee 5, through this subworking group, began to examine in 2015 the existing risk management practices, looking at how they relate to the existing 2013 IOSCO Principles and developing further guidance in those areas where additional recommendations may be required, including stress testing.

SWG3 –Loan Origination Funds[2]

In 2015, SWG3 began a survey of the different regimes in place across jurisdictions as a guide to how loan origination funds are developing and regulated. Based on the findings, SWG3 will consider the need to develop international guidance in relation to these funds.

Reducing Reliance on Credit Rating Agencies in Asset Management

In June 2015, IOSCO published a set of good practices for consideration by market participants and regulators in relation to the use of CRA ratings in the asset management industry. The report was issued five years after the publication of the FSB report *Principles for Reducing Reliance on CRA Ratings*, which called on regulators and standard setters such as IOSCO to consider steps for translating these Principles into more specific policy action.

The IOSCO report stresses the importance of asset managers having the appropriate expertise and processes in place to assess and manage the credit risk associated with their investment decisions. To help managers avoid over-reliance on external ratings, the report lists good practices they may consider when resorting to external ratings.

2 Following the tightening of bank rules (i.e., Basel III), investment funds that supply loans to corporate borrowers have emerged. These funds either select existing loans originally issued by banks or issue loans in competition with banks.

In the report, IOSCO notes that the use of external ratings by asset managers is mainly demand-driven, as various forms of reliance on external credit ratings remain on the investor side. References to external credit ratings may derive from regulatory requirements or an investor's own internal rules. This may result in mechanistic reliance, which could trigger forced asset sales in the event of downgrades. To address these concerns, IOSCO recommends considering potential ways to reduce possible investor overreliance on external ratings as a result of references in regulatory requirements. The good practices address national regulators, investment managers, and investors, where applicable.

Collective Investment Schemes (CIS).

Standards for the Custody of CIS Assets

The safekeeping of client assets by intermediary custodians has come under greater scrutiny following the 2007-2008 financial crisis and several corporate collapses, such as the insolvencies of Lehman Brothers and MF Global, and the Madoff Ponzi scheme fraud.

Responding to these concerns, Committee 5 published, in October 2014, a consultation report on *Principles regarding the Custody of Collective Investment Schemes´ Assets.* The aim of the report was to gather the views of investment managers, custodians, institutional investors and other interested parties on a set of proposed Principles for the Custody of CIS assets.

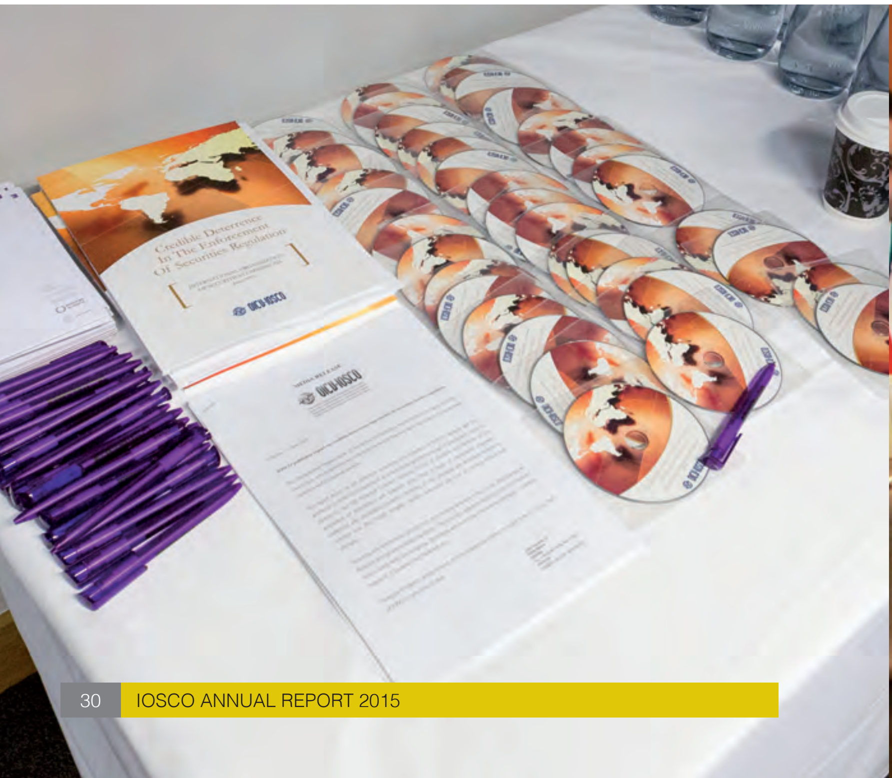
The final report was published in November 2015. It sets out eight standards divided into two sections, which are aimed at identifying the core issues that should be kept under review by regulators to ensure investors' assets are effectively protected. The first section focuses on key aspects relating to the custody function. The second part is dedicated to standards relating more specifically to the appointment and ongoing monitoring of custodians.

International Regulatory Standards on Fees and Expenses of Investment Funds

In a consultation report published in June 2015, Committee 5 proposed an updated set of common international standards of best practices for operators of CIS and regulators to consider.

This project is aimed at updating or expanding the 2004 IOSCO Report on *Elements of International Regulatory Standards on Fees and Expenses of Investment Funds,* which focused on key issues regarding fees, including disclosure of fees and expenses to the investor, transaction costs and performance fees.

Since the 2004 report, the natural evolution of the industry has given rise to new CIS product structures, new investment strategies and changing distribution models, among other developments. At the same time, regulatory developments in some jurisdictions or at the regional level have changed the way fees and expenses are disclosed, while the effectiveness of certain disclosure models has been tested with investors. Committee 5 expects to publish a final report in 2016.



Liquidity Management Tools in CIS

In December 2015, Committee 5 published the report *Liquidity Management Tools in Collective Investment Schemes (CIS),* which maps existing liquidity management frameworks in 26 member jurisdictions with a particular focus on tools to help deal with exceptional situations (e.g., significant redemption pressure). The report is based on a survey sent to members of Committee 5.

The report sets out clearly the various frameworks and policy tools currently at the disposal of asset managers in a large number of jurisdictions and the scope of funds to which they apply.

Framework for the Termination of a CIS

Committee 5 launched a new work stream in 2015 to look into the possibility of elaborating a set of good practices aimed at ensuring that CIS have liquidation procedures in place to protect their assets and investor interests. The objective is to set forth a common global approach to the termination of CIS. To conduct this work, Committee 5 is looking at existing termination regimes and current practices in member jurisdictions.

Hedge Fund Survey

In December 2015, Committee 5 published *A Report on the Third IOSCO Hedge Fund Survey.* The survey forms part of IOSCO´s efforts to achieve a globally consistent collection and sharing of data on hedge fund activities and their risks. As the only such global exercise of its kind, the survey helps support the G20 initiative to mitigate risk associated with hedge funds. The report explains the results of the third IOSCO survey and provides an overview of the hedge fund industry as of 30 September 2015.

Committee on Credit Rating Agencies – C 6

Committee Chair:
Rita Bolger (US SEC)
Committee Vice Chair:
Yasuto Watanabe (Japan FSA)

Revision of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies

In March 2015, Committee 6 published its final *Code of Conduct Fundamentals for Credit Rating Agencies (the IOSCO CRA Code)*, which includes significant revisions and updates to the IOSCO CRA Code in effect at that time. The revisions to the IOSCO CRA Code are designed:

> to strengthen the IOSCO CRA Code by enhancing provisions aimed at protecting the integrity of the credit rating process, managing conflicts of interest, providing transparency, and safeguarding non-public information;

> to strengthen the IOSCO CRA Code by adding measures regarding governance, training, and risk management; and

- to improve the clarity of the IOSCO CRA Code by adding definitions of key terms and revising existing definitions, updating terminology, restructuring existing provisions to better group them thematically, and eliminating extraneous text.

The IOSCO CRA Code is intended to offer a set of robust, practical measures as a guide for CRAs to protect the integrity of the rating process. The code seeks to ensure that issuers and users of credit ratings, including investors, are treated fairly, and to safeguard confidential information provided by issuers.

The Code was first published in 2004 when few jurisdictions had laws governing activities of CRAs. It was later revised in 2008 to include significant disclosure provisions that addressed concerns regarding the quality of information that CRAs relied on.

Other CRA Products

Committee 6 continued work on its mandate on *Other CRA Products* in 2015. The objective of the project is to gain a clearer understanding of those CRA products that differ from the traditional issuer-paid or subscriber paid credit ratings, but may be used by investors and others to make investment and other credit-related decisions.

Committee 6 aims to understand better how CRAs create these other products and how they are used by market participants to measure the credit risk of issuers or securities.

Other CRA Products are distinguishable from the traditional credit ratings that CRAs publicly disclose or disseminate to subscribers and may include, for example, activities such as private ratings, confidential ratings, expected ratings, and indicative ratings. Market participants may use other CRA products to help assess the creditworthiness of an entity or obligation.

Committee on Commodity Derivatives Markets - C 7

Committee co-Chairs:
David Lawton (UK FCA)
Eric Pan (US CFTC)

Principles for Oil Price Reporting Agencies (PRAs)

In September 2015, Committee 7 on Commodity Derivatives Markets published its second review on the *Implementation of the Principles for Oil Price Reporting Agencies (PRAs)* in collaboration with the International Energy Agency (IEA), the International Energy Forum (IEF) and the Organization of Petroleum Exporting Countries (OPEC).

IOSCO's report concluded that the Principles for Oil Price Reporting Agencies (PRA Principles) have become an integral part of the PRA's management policies and operational practices. IOSCO, IEA, IEF and OPEC agreed that further annual implementation reviews would not be necessary at that time, given the progress made, and the commitment by the four main PRAs to continue adhering to the PRA Principles and to undergo independent external assurance reviews.

However, they will continue to monitor the PRAs' activities primarily through the results of subsequent external assurance reviews and their ongoing engagement with the PRAs and interested stakeholders.

The report was the second review of the *Principles for Oil Price Reporting Agencies,* which were issued in 2012 as part of an effort to enhance the reliability of the oil price assessments that are referenced in derivative contracts and subject to regulation by IOSCO members. Committee 7 prepared the PRA Principles in collaboration with the three international energy organizations, IEA, IEF and OPEC. The first implementation report published in September 2014 concluded that good progress was made during the first year of implementation, but that it is an ongoing endeavor. It suggested that further work would be needed once the PRA Principles became more embedded in the PRA processes.

The second review takes into account the results of the PRAs' second year assurance reports, the operational changes implemented by the PRAs and the public comments received on the continuing implementation of the PRA Principles. The review was also informed by two quantitative and qualitative reports prepared by the IEA, IEF and OPEC, which analyze the impact of the IOSCO Oil PRA Principles on physical oil markets.

The three international organizations, in liaison with IOSCO, also prepared a report on the outcomes of the Survey of Oil Market Participants entitled *Impact of the Principles for Oil PRAs on the Physical Oil Market*. A summary of the report was submitted to the G20 Energy Sustainability Working Group (ESWG) meeting in Antalya on 24-25 February 2015, and was subsequently presented to the Turkish G20 Presidency ESWG later that year.

The Impact of Storage Infrastructures on Derivatives Market Pricing

In 2015, Committee 7 continued its review of the impact of storage and delivery infrastructures on the integrity of the price formation process of physically delivered commodity derivatives contracts traded on regulated platforms. As part of this work, Committee 7 gathered information relating to rule enforceability, conflicts of interest, impact on price formation through capacity or load out rate constraints, and information dissemination. The report is expected to be published in the first half of 2016. Committee 7 also will circulate to the Board a project specification seeking to develop sound practices for storage infrastructure.

Committee on Retail Investors C8

Committee Chair:
Howard Wetston (Ontario OSC)
Committee Vice Chair:
Leonardo P. Gomes Pereira (Brazil CVM)

Developing a strategic framework

Established in June 2013, Committee 8´s first project was to develop a strategic framework to guide IOSCO´s investor education and financial literacy agenda. Following a public consultation, the committee´s *Strategic Framework for Investor Education and Financial Literacy* was published in November 2014. It describes IOSCO´s role in investor education and financial literacy, the role of research, particularly in the field of behavioral economics, and Committee 8's initial focus and strategic approach to fulfilling this mandate.

In September 2015, Committee 8 published the report on *Sound Practices for Investment Risk Education*, which identifies a number of sound practices for investment risk education initiatives. The conclusions are based on an analysis of the approaches and practices adopted by Committee 8 members in designing and delivering their investment risk education initiatives, as well as a review of literature on the topic. The report defines *investment risk* as the risk that an investment will not deliver the expected yield and/or lose value.

In 2015, the Committee published a report on the Survey on Anti-Fraud Messaging, describing the strategies used by Committee 8 members to educate individual investors about how to protect themselves against investment fraud. The report looks at issues such as fraudulent securities offerings or investment schemes in which investors have been victimized; the common characteristics of victims of investment fraud; the content of anti-fraud messaging, and the communication channels used to deliver anti-fraud messages.

To advance its secondary mandate on investor protection, Committee 8 undertook an internal fact-finding project to determine whether its members obtain feedback and input from retail investors in the development of regulatory policy and, if so, how it is done. A final report on the conclusions is expected to be published in early 2016.

New work streams

At its November 2015 meeting in London, the Committee agreed to establish small working groups to look into developing project specifications for possible new mandates related to senior retail investor vulnerability; implications of new financial technologies for investor education; and the application of behavioral economics.

Joint Policy Committee Work: Cyber-resilience

IOSCO cyber coordinator:
Louis Morriset (Québec AMF)

Increasingly, cyber risk constitutes a threat to the integrity, efficiency and soundness of financial markets worldwide. In response to this growing threat, the IOSCO Board agreed in February 2014 to investigate further how the organization could support its members and market participants in dealing with cyber risk, with a view to publishing a report highlighting some of the tools available to regulators for enhancing the cyber-resilience of securities markets.

The Board entrusted the Autorité des marchés financiers Québec (Québec AMF), with the assistance of China Securities Regulatory Commission (CSRC) and the Monetary Authority of Singapore (Singapore MAS), with the coordination of the activities of the Affiliate Member Consultative Committee (AMCC) and the different IOSCO policy committees involved in cyber risk work. During 2015, the Québec AMF, CSRC and MAS drafted the IOSCO report: *Cyber Security in Securities Markets: An international perspective*, which will be tabled for approval by the IOSCO Board in early 2016. The report will describe the cyber-related work conducted by IOSCO's policy committees, the AMCC and the CPMI-IOSCO Working Group on cyber resilience. The report will describe some of the different regulatory approaches that IOSCO members have taken to improve cyber security and increase information sharing among regulators and market participants on cyber risks.

Task Forces

Board Level Task Force on Financial Benchmarks

Task Force Chair:
David Lawton (UK FCA)

IOSCO established a Board-level Task Force in September 2012 to identify and consider benchmark related issues, following a series of investigations into attempted manipulation of financial benchmarks.

As its first response to the benchmark scandal, the Task Force published, in July 2013, the *Principles for Financial Benchmarks* (Principles) with the aim of creating an overarching framework of 19 Principles for benchmarks used in financial markets, covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. The IOSCO Principles were endorsed by the G20 and the FSB as the global standards.

In February 2015, the Task Force published the *Review of the Implementation of IOSCO's Principles for Financial Benchmarks*. The report sets out the findings of IOSCO´s review of the implementation of the Principles by a sample of administrators of financial benchmarks across a range of geographical areas and asset classes. The review indicated that a majority of administrators surveyed had made an effort to implement the Principles. The responses received also showed that the benchmarks industry is in a state of change, and administrators continue to work towards compliance with the Principles. Many examples also were given of benchmarks being transitioned to new methodologies and administrators.

During the year, the Task Force also initiated two new areas of work: (1) administrators' interpretation of proportionality and full compliance content and (2) the format of administrators' statements of compliance.

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 over-the-counter (OTC) derivatives achieve their attended effect and, if so, to disseminate best practices.

As part of that work, the Task Force published, in August 2015, the final report *Post-Trade Transparency in the Credit Default Swaps Market*, which analyzes the potential impact of mandatory post-trade transparency in one particular OTC derivatives market: credit default swaps (CDS).[3]

3 CDS are contracts that transfer the credit risk of a reference entity or instrument from a buyer of credit protection to a seller of credit protection. The Bank for International Settlements estimates that $16 trillion in notional amounts were outstanding in the CDS market at end-2014.

In the report, IOSCO concludes that greater post-trade transparency in the CDS market—including making the price and volume of individual transactions publicly available—would be valuable to market participants and other market observers. It encourages each member jurisdiction to take steps towards enhancing post-trade transparency in its CDS market.

Based on its analysis, IOSCO also concludes that the data does not suggest that the introduction of mandatory post-trade transparency had a substantial effect on market risk exposure or market activity for CDS. Improving transparency in the CDS market, it believes, will increase the efficacy of the G20 commitments to reform the OTC derivatives markets.

In July 2015, the Board mandated the Task Force on OTC Derivatives to conduct research regarding the functioning of the ISDA Credit Determinations Committee and CDS auction processes and to assess whether the Task Force would recommend to the IOSCO Board that further work in this area should be undertaken.

Task Force on Cross-Border Regulation

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

IOSCO established the Task Force on Cross-Border regulation in 2013 to identify and consider cross-border regulatory issues and tools.

In September 2015, IOSCO published the final report *IOSCO Task Force on Cross-Border Regulation*. The report indicates that cross-border regulation is moving towards more engagement via different forms of recognition to solve regulatory overlaps, gaps, and inconsistencies. While the increased engagement is mostly bilateral at this stage, multilateral engagement is likely to develop further with the greater use of supervisory Memoranda of Understandings, as markets continue to grow around the world.

The report presents a series of concrete next steps aimed at supporting cross-border regulation and embedding the consideration of cross-border issues more effectively into IOSCO´s work. Among these, IOSCO policy committees will start to identify and consider specific cross-border implications of their policy-making. Task Force members also agreed that IOSCO should engage more with the G20 and the FSB in order to raise greater awareness of the key issues and challenges faced by IOSCO members on cross-border regulation, including the need for more refined thinking on concepts of *deference*.

Following publication of the report, IOSCO disbanded the Task Force.

Working Group on Risk Mitigation Standards for Non-centrally Cleared Derivatives

Working Group Chair:
Lee Boon Ngiap (Singapore MAS)

In September 2013, the OTC Derivatives Regulators Group called upon IOSCO to develop a set of risk mitigation techniques, which would complement the margin requirements developed by the Basel Committee on Banking Supervision (BCBS) and IOSCO, in an effort to further reduce the risks in the non-centrally cleared derivatives market.

On 28 January 2015, IOSCO released the final report on *Risk Mitigation Standards for Non-centrally Cleared OTC Derivatives*, which sets out nine standards aimed at strengthening the non-centrally cleared OTC derivatives market. IOSCO developed these standards in consultation with the BCBS and the Committee on Payments and Market Infrastructures (CPMI), taking into consideration the comments received from an earlier public consultation. The standards encourage the adoption of sound risk mitigation techniques to promote legal certainty over the terms of the non-centrally cleared OTC derivatives transactions, to foster effective management of counterparty credit risk and to facilitate timely resolution of disputes.

Audit Quality Task Force

Task Force Chair:
Gerben J. Everts (Netherlands AFM)

In February 2014, IOSCO established the Audit Quality Working Group to help identify possible areas where the organization could work to promote audit quality. Improving the quality of international auditing is key to promoting consistent high quality financial reporting. Audit and securities regulators across the globe have pointed out that reforms are required.

Also in 2014, the IOSCO Board approved the working group's recommendation to set up an Audit Quality Task Force (AQTF) with a mandate to oversee and execute other working group recommendations, which included:

> ensuring that cooperation with stakeholders (strategic partners) such as the International Forum of Independent Audit Regulators (IFIAR) progresses on a more permanent and institutionalized basis.

> assessing whether and how to strengthen the role of audit committees and, as a first step, launching a survey on the role of Audit Committees vis-à-vis audit quality and how this role has evolved in different jurisdictions over time.

> promoting more robust audit-related standard setting governance.

During 2015, the Task Force took steps to follow these recommendations. Among other things, it discussed with IFIAR ways to intensify cooperation and establish a working relationship at secretariat level that facilitates the exchange of information between IFIAR and IOSCO. The Task Force also conducted, in conjunction with Committee 1 on Issuer Accounting, Audit and Disclosure, a survey on audit committee requirements. Based on the survey results, it worked on a report intended to inform interested stakeholders and IOSCO members about existing audit committee requirements and help them identify audit committee practices for improving audit quality.

The Task Force Chair was appointed by the IOSCO Board to lead the Monitoring Group, 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. Under its new leadership, the Monitoring Group will continue to monitor the execution of the Public Interest Oversight Board´s mandate and the implementation of the reforms needed to improve the structure and oversight of audit standard setting.

Task Force on Market Conduct

Task Force Chair:
Ashley Alder (HK SFC)
Task Force Vice Chair:
David Lawton (UK FCA)

The Task Force on Market Conduct was established in 2015, following a request from the FSB for IOSCO to explore the possible benefit of undertaking further work on market conduct.

The aim of this work is to develop a toolkit of measures to promote proper conduct by market participants in wholesale markets, including both individuals and firms, and assist regulators in understanding the tools available for enhancing their market conduct regimes.

During 2015, the Task Force conducted a mapping exercise of IOSCO's prior work on standards of conduct for individuals and firms and of its measures to promote compliance with those standards. It also surveyed IOSCO members on the regulatory tools and approaches they use to foster proper conduct and accountability by market participants.

The final report of the Task Force will draw on the findings of the mapping exercise and member survey and is expected to be completed by the end of 2016.

Inter-Agency Work

The Joint Forum

The Joint Forum was established in 1996 under the aegis of IOSCO, the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS) to address issues common to the banking, securities and insurance sectors. Its membership was comprised of an equal number of senior bank, insurance and securities supervisors. The International Monetary Fund, the European Commission and the Financial Stability Institute were given observer status.

In 2015, the Joint Forum published *Developments in credit risk management across sectors*: *current practices and recommendations.* The report provides insight into the current supervisory framework around credit risk, the state of credit risk management at firms and implications for the supervisory and regulatory treatments of credit risk.

The report is based on a survey that the Joint Forum conducted with supervisors and firms in the banking, securities and insurance sectors globally. The aim was to understand the current state of credit risk management in light of the significant market and regulatory changes since the 2008 financial crisis.

The Joint Forum was discontinued in 2015, after it was superseded by bilateral and other arrangements for cooperation.

IOSCO Work with the Basel Committee on Banking Supervision (BCBS)

BCBS-IOSCO Working Group on Margining Requirements

In 2011, the G20 Leaders called upon the BCBS and IOSCO to develop consistent global standards for margin requirements for non-centrally cleared derivatives, as part of the global financial reform agenda. In response, the BCBS and IOSCO released, in September 2013, the final framework for margin requirements for non-centrally cleared derivatives. Under the globally agreed standards, financial firms and systemically important non-financial entities that engage in non-centrally cleared derivatives would be required to exchange initial and variation margin commensurate with the counterparty risks arising from such transactions. The framework was designed to reduce systemic risks related to OTC derivatives markets, as well as to provide firms with appropriate incentives for central clearing and managing the overall liquidity impact of the requirements.

In February 2014, the BCBS and IOSCO approved the creation of a monitoring group to evaluate the margin requirements and to determine whether elements of the margin standards should be reconsidered. Recognizing the complexity and impediments in implementing the framework, the BCBS and IOSCO agreed in March 2015 to:

- delay the implementation of requirements to exchange both initial margin and variation margin by nine months; and
- adopt a phase-in arrangement for the requirement to exchange variation margin.

The BCBS and IOSCO also asked the Working Group on Margining Requirements (WGMR) to continue monitoring progress in implementation to ensure consistent implementation across products, jurisdictions and market participants. At the end of 2015, the working group submitted a progress report on implementation based on its monitoring work during the year.

Task Force on Securitization Markets- Cross Sectorial Task Force with the BCBS

IOSCO and the BCBS established the Task Force on Securitization Markets in April 2014 in order to:

- undertake a wide ranging review of securitization markets so as to understand how they are evolving in different parts of the world;
- identify factors from across different sectors that may be hindering the development of sustainable securitization markets; and
- develop criteria to identify and assist the financial industry in the development of simple and transparent securitization structures.

In mid- 2015, the Task Force published the final report on the criteria for simple, transparent and comparable securitization. It also set up two work streams: one led by the BCBS to develop specific criteria for simple, transparent and comparable short-term securitizations; and the other led by IOSCO to engage with market participants and encourage industry initiatives relating to the standardization of documentation.

IOSCO Work with the Committee on Payments and Market Infrastructures (CPMI)

The Committee on Payments and Market Infrastructures (CPMI) promotes the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy. The CPMI monitors and analyzes developments in these arrangements, both within and across jurisdictions. It also serves as a forum for central bank cooperation in related oversight, policy and operational matters, including the provision of central bank services.

CPMI and IOSCO work together to enhance coordination of standard and policy development and implementation, regarding clearing, settlement and reporting arrangements, including financial market infrastructures (FMIs) worldwide. FMIs, which include central counterparties (CCPs), trade repositories, central securities depositories, securities settlement systems, and payment systems, play an essential role in the global financial system. The disorderly failure of an FMI could lead to severe systemic disruption if it caused markets to cease to operate effectively.

Policy work on CCP risk

In April 2015, the BCBS, the CPMI, the FSB and IOSCO agreed a CCP workplan to coordinate their respective international policy work aimed at enhancing the resilience, recovery planning and resolvability of CCPs, and to work in close collaboration.

CCP resilience

A number of substantive priorities with respect to CCP resilience were identified. These priorities included reviewing existing stress testing policies and practices of CCPs and considering the need for, and developing, as appropriate, a framework for consistent and comparable stress tests of the adequacy of CCPs' financial resources (including capital) and liquidity arrangements. This framework could involve supervisory stress tests. Further, the adequacy of existing standards with respect to CCP loss absorption capacity and liquidity is being evaluated, taking into account the implementation of the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI). This evaluation assesses whether the standards contained in the PFMI for initial margin methodologies are sufficiently granular and robust. The evaluation also considers the adequacy of CCP coverage, given the possibility that multiple clearing members could come under stress during periods of extreme market turbulence.

The CPMI-IOSCO Policy Standing Group (PSG) serves as the primary forum for this work, regularly interacting with the FSB Standing Committee on Supervisory and Regulatory Cooperation (SRC). To the extent that certain relevant activities were already initiated before the workplan was agreed, the respective focus was adjusted to fully capture the issues identified in the CCP workplan.

CCP recovery planning

The PFMI requires all systemically important FMIs to have a comprehensive and effective recovery plan as the disorderly failure of such an FMI could lead to severe systemic disruptions.

The workplan includes two substantive priorities with respect to CCP recovery planning, and the PSG is serving as the primary forum for this work, cooperating closely with the FSB Resolution Steering Group (ReSG). First, a stock-take of existing CCP recovery mechanisms, including loss allocation tools, will be conducted as part of the surveys described above. The stock take is being used to compare recovery mechanisms across CCPs. Second, CPMI-IOSCO will consider the need for, and develop, as appropriate, more granular standards or guidance for CCP recovery planning, taking into account the implementation of the requirements for recovery planning in the CPMI-IOSCO PFMI and the complementing guidance on the recovery of FMIs.

A CPMI-IOSCO report for public consultation on all CCP resilience and recovery issues is expected to be published by mid-2016.

Other CPMI-IOSCO Work

Market-wide recommendations:

In 2014, CPMI-IOSCO agreed to do further work on the so-called *market-wide recommendations,* i.e., recommendations targeted at payment, securities or derivatives markets more widely than at individual FMIs.This work, to be conducted by CPMI-IOSCO PSG, would include:

- a review of a number of the recommendations included in the CPSS -IOSCO Recommendations for Securities Settlement Systems (2001); and
- a gap analysis aimed at determining whether there are other market-wide[4] topics where some form of guidance from CPMI-IOSCO might be helpful.

The PSG will review by mid-2016 when they can allocate resources to the market-wide recommendations.

Data harmonization:

In 2014, CPMI-IOSCO created the Harmonization Working Group to develop detailed guidance on harmonization of data elements that are reported to trade repositories and are important for data aggregation by authorities. The guidance should also serve for the development of the uniform global Unique Product Identifier (UPI) and the Unique Transaction Identifier (UTI), which are used to uniquely identify a product or transaction, to be used for reporting to global financial regulators. The sub-streams for the Harmonization Working Group continue to work on the harmonization aspects of their work, which includes workshops and consultations with industry, before final guidance is published.

The work of the Harmonization Group is making good progress. To fulfil the mandate, the Harmonization Group has launched several public consultations:

- A public consultation on the UTI was published on 19 August 2015 with the aim to publish a final UTI guidance by mid-2016.
- A public consultation on harmonization of a first batch of 14 key data elements other than UTI and UPI was published on 2 September 2015.
- A public consultation on UPI was published on 17 December 2015 with the aim to publish final guidance in 2016, following the timeline indicated by the FSB Chair letter to the G20.
- Other public consultations on harmonization of the remainder set of data elements other than UTI and UPI (around 65 data elements, split into two batches) would take place later in 2016. Publication of guidance on all the data elements other than UTI and UPI would take place later, possibly by the end of 2017.

This workplan may need to be modified in line with the outcomes of the public consultations.

Cyber resilience in FMIs:

A CPMI-IOSCO Working Group on Cyber Resilience in FMIs (WGCR) was established in September 2014

4 The CPMI was formerly known as the Committee on Payment and Settlement Systems (CPSS).

to examine ways to help both authorities (regulators, overseers) and FMIs to enhance cyber resilience.

Both CPMI and IOSCO had been active separately in investigating certain aspects of cyber risks and how they relate to financial market participants, services and infrastructures. As many issues are of interest to both committees, they agreed to undertake joint work with a specific focus on improving the cyber resilience of FMIs.

On 24 November 2015, CPMI-IOSCO published a consultative report *Guidance on cyber resilience for financial market infrastructures* ("Guidance") for a three month consultation period. Finalization of the Guidance is anticipated for later in 2016. The Guidance aims to add momentum and international consistency to the industry's ongoing efforts to enhance FMIs' ability to pre-empt cyber-attacks, respond rapidly and effectively to them, and achieve faster and safer target recovery objectives.

Once finalized, the Guidance will represent the first set of internationally agreed principles in the financial markets to support oversight and supervision in the area of cyber resilience.

In addition to finalizing the Guidance, the WGCR is looking at mechanisms to engender greater collaboration between regulators and overseers, in order to improve information sharing relating to cyber resilience.

Quantitative disclosure standards for CCPs

On 26 February 2015, CPMI-IOSCO published *Public quantitative disclosure standards for central counterparties*. To help ensure that the risks of using CCPs are properly understood, CCPs need to make relevant information publicly available, as stated in the PFMI. CPMI-IOSCO published a *Disclosure framework* in December 2012 to improve the overall transparency of FMIs. That framework primarily covers qualitative data that need relatively infrequent updating (for example, when there is a change to a CCP's risk management framework). To complement that disclosure framework, the report published in February 2015 sets out the quantitative data that a CCP should disclose more frequently.

Taken together with the *Disclosure framework*, the proposed disclosures in this report are intended to help stakeholders, including authorities, participants (direct, indirect and prospective) and the public, to:

- compare CCP risk controls, including financial resources to withstand potential losses;
- have a clear and accurate understanding of the risks associated with a CCP;
- understand and assess a CCP's systemic importance and its impact on systemic risk; and
- understand and assess the risks of participating in a CCP (directly and, to the extent relevant, indirectly).

This report was revised in light of the comments received during the consultation process.

Application of the Principles for financial market infrastructures to central bank FMIs

On 19 August 2015, CPMI-IOSCO published *Application of the Principles for financial market infrastructures to central bank FMIs*. This note provides guidance on how the PFMI apply to FMIs that are owned and operated by central banks, and develops and further clarifies what is stated in the PFMI on the interaction between the PFMI and central bank policies.

Implementation Monitoring:

The CPMI-IOSCO Implementation Monitoring Standing Group continued in 2015 the process of monitoring implementation of the PFMI. In line with the G20's expectations, CPMI and IOSCO members have committed to adopting the 24 Principles (the Principles) and the five responsibilities for authorities (the Responsibilities) included in the PFMI. Full, timely and consistent implementation of the PFMI is fundamental to ensuring the safety and soundness of key FMIs and to supporting the resilience of the global financial system. In addition, the PFMI are an important part of the G20's mandate that all standardized OTC derivatives should be centrally cleared, and all OTC derivative contracts reported to trade repositories.

Reviews are being carried out in three stages:

Level 1 assessments are based on self-assessments by individual jurisdictions on how they have adopted the 24 Principles for FMIs and four of the five Responsibilities for authorities within the regulatory and oversight framework that applies to FMIs. The initial Level 1 assessments (covering 27 jurisdictions) were conducted in mid-2013 and[5] the results of the assessments were published in August 2013. The first update (covering 28 jurisdictions) was conducted

5 Indonesia was added to the initial 27 jurisdictions.

in 2014 and the report was published in May 2014. Following this, the second update was conducted in 2015 and the report *Implementation monitoring of PFMIs: Second update to Level 1 assessment report* was published on 11 June 2015.

The second update report shows that participating jurisdictions have made progress since the previous update in completing the process of adopting legislation, regulations and/or policies to support implementation of the PFMI. The second update also reveals that the current state of progress on PFMI implementation is now quite similar for the different types of FMI. Previous Level 1 assessments had indicated that progress on implementation measures for Principles applicable to central securities depositories and securities settlement systems was lagging behind that of other FMI types. The updated assessments show that this gap has now closed: central securities depositories and securities settlement systems have shown the most progress in this update, followed by payment systems.

Additional updates to the Level 1 report are planned on a periodic basis and the third update started in December 2015.

In parallel with the Level 1 assessments, CPMI and IOSCO are also conducting *Level 2 assessments,* which are peer reviews of the extent to which the content of the jurisdiction's implementation measures is complete and consistent with the PFMI. In the initial round of the Level 2 assessments, CPMI and IOSCO conducted a detailed evaluation and a peer-review assessment regarding whether the adopted measures are complete and consistent with the Principles for CCPs and trade repositories in the European Union, Japan and the United States. Results from the first round of Level 2 assessments were published on 26 February 2015. Overall, the reports demonstrated that the three jurisdictions have made good progress in implementing the Principles in their legal and regulatory or oversight frameworks. This is especially evident for CCPs, while jurisdictions' progress towards completely and consistently implementing the Principles for trade repositories has been more varied.

The second round of Level 2 assessments commenced in April 2015, starting with an assessment covering all FMI types in Australia (as of 15 May 2015). The report was published on 17 December 2015. Overall, the assessment found that Australia has consistently adopted most of the Principles across FMI types – with the remaining Principles adopted in a broadly consistent way.

Other jurisdictions will be assessed at Level 2 sequentially over time.

Level 3 (Principles) assessments are peer reviews to examine the consistency in the outcomes arising from the implementation of the Principles. Level 3 assessments will be thematic in nature. The output from the Level 3 assessments will be narrative-based reports, which will draw out key issues related to the consistency of FMIs' outcomes with the Principles, noting any variations in outcomes across FMIs in various jurisdictions.

The first Level 3 assessment started in July 2015 with the circulation of surveys to 10 globally- and locally-active derivatives CCPs. The focus of this assessment is on core financial risk management (including governance of risk management, credit risk (including stress testing), margin practices, liquidity, collateral policy and investments, and recovery planning) at the 10 CCPs.

A report on the assessment is planned to be published in mid-2016. The CPMI-IOSCO PSG may draw on findings from the first Level 3 assessment (as appropriate) in conducting its policy mandate/work.

In addition to these three stages, CPMI and IOSCO are also conducting an assessment and review of the Responsibilities. These are peer reviews to assess the completeness of the application of the Responsibilities by authorities and the consistency of implementation outcomes.

The Responsibilities were assessed separately from the Principles. The substance of Level 2 and Level 3 assessments of Responsibilities was combined into a single exercise.

The Responsibilities assessment started in November 2014 and simultaneously covered all 28 jurisdictions that are part of the implementation monitoring exercise. The analytical work related to the assessment took place over March-August 2015 and revealed that a majority of jurisdictions have achieved a high level of observance of the Responsibilities.

With respect to specific FMI types, trade repositories represented the FMI type for which most additional work remains to be done. Several jurisdictions had trade repository regimes that were still in development and therefore determined to be 'not ready for assessment'. Some others lacked clear criteria and/or fully disclosed policies to support their regulation, supervision and oversight of trade repositories.

The report was published on 30 November 2015.

Joint Work by BCBS, CPMI, FSB and IOSCO

Study Group on Central Clearing Interdependencies (SGCCI)

A joint BCBS, CPMI, FSB and IOSCO study group was established in July 2015 to identify, quantify and analyze interdependencies between CCPs and major clearing members and any resulting systemic implications. The group is focusing on interdependencies that may have implications for global financial stability. This includes smaller market participants or CCPs that have interdependencies with larger banks or CCPs. However, the aim of the study group is not to map all of the central clearing interdependencies around the globe.

Interdependencies could include, for instance:

> financial obligations of clearing members, such as default fund contributions, initial and variation margins and assessment rights;

> financial interdependencies with other financial institutions, which can be clearing members, stakeholders, including investment counterparties, liquidity providers and deposit banks; and

> operational interdependencies, such as links with investment counterparties, custodians and settlement agents.

Interdependencies to be explored include those that pose risks to CCPs and/or to participants or other stakeholders. Once these key interconnections have been mapped, the potential for contagion effects within this landscape will be explored.

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

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

The 34th AMERC Annual Conference was hosted by the Capital Market Authority Oman, from the 24 to 25 February 2015 in Muscat, Oman. The theme of the conference was *Promoting Sound Regulation through Understanding the Balance between Its Costs and Benefits*. At the meeting I was also elected Chair of AMERC.

The Search for Greater Inclusiveness

Just as the visibility of AMERC has increased in recent years, so has its yearning for inclusiveness. Thus, at the Muscat meeting, members resolved to propose to the IOSCO Board the adoption of Arabic as one of the organizacion's official languages. IOSCO's Arabic speaking membership represents 50% of AMERC and consists of about 15 active members who together regulate jurisdictions with a market capitalization of more than one trillion dollars.

Given the size of IOSCO's Arab membership, the adoption of Arabic as an official language will signal IOSCO's commitment to be as inclusive as possible.

I commend IOSCO´s work on credible deterrence, SME financing and data gathering. IOSCO has focused significant attention on these crucial issues. Other important work streams include the joint work with the Financial Stability Board on OTC derivatives, risks and shadow banking.

AMERC Meetings

During 2015, AMERC held or attended the following meetings:

> IOSCO Board Meeting, Seoul, South Korea, 12 – 13 February 2015.

> 34th AMERC Annual Conference and Meeting, Muscat, Oman, 24 – 25 February 2015.

> Growth and Emerging Markets (GEM) Committee Annual Meeting and Conference, Cairo, Egypt, 27 – 29 April 2015.

> 40th IOSCO Annual Conference/35th AMERC Meeting, London, 14 – 18 June 2015.

> IOSCO Board Meeting, Toronto, Canada, 6 – 7 October 2015.

> 2015 IOSCO Seminar Training Program, Madrid, Spain, 20 – 23 October 2015.

We also continued to distribute the AMERC Quarterly Report, which informs the staff of member organizations of the latest issues regarding global capital markets.

Specific Regional Issues

Although many AMERC members have succeeded at becoming signatories to the IOSCO MMoU on cooperation and the exchange of information, a few still face challenges to qualify as (Appendix "A") signatories. AMERC and the IOSCO General Secretariat will continue to offer support in the coming year to assist these members in overcoming these hurdles and others that may arise with the planned launch of a new Enhanced MMoU.

Our meetings continued to be a forum for discussing those issues most relevant to our region.

The 34th AMERC Meeting in Muscat examined cybercrime and information sharing.

Our 35th Meeting held on the sidelines of the 40th IOSCO Annual Conference -- themed *Building a New Financial World* -- focused on the need for regulators to prepare markets for playing a bigger role in driving economic growth and regional integration.

It also featured the presentation of a paper on *Changing Technology and Implications for Regulation, Investor Protection and Systemic Imbalance in Emerging Markets.*

The discussions on these technology-related issues underscored the need for members to pay more attention to cyber threats and resilience. Members were encouraged to improve their frameworks on enforcement, risk mitigation, market information sharing and corporate governance in an effort to enhance market efficiency and investor protection.

We continued our quest for best regulatory practices, greater capacity building and market development. This has spurred the region to collaborate and promote various training programs in the year. On this note, I commend the UAE Securities and Commodities Authority on its offer to host the AMERC regional pilot hub for capacity building, at its training center.

Objectives for 2016

As AMERC members, we are all committed to developing and deepening our markets, enhancing regulatory capacity and empowering investors as necessary, with the aim of building fair, transparent, efficient and resilient markets throughout the region.

We are committed to ensuring the success of the new IOSCO 2020 Strategic Direction and to encouraging members who have yet to qualify as signatories to the IOSCO MMoU to intensify their efforts as the Enhanced -MMoU gradually comes into play.

Challenges Facing AMERC Going Forward

The plunge in oil prices is a particular challenge for oil-exporting countries within the AMERC region, most of which are also grappling with serious security problems.

Another major challenge in 2016 is the spillover effect from policies and events in more advanced markets. AMERC, for its part, seeks to protect its markets from the effects of external shocks as much as possible.


IOSCO LONDON

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

The Asia-Pacific Regional Committee (APRC) is an important platform for developing further close ties and strengthening cooperation among regulators in the Asia-Pacific region. In 2015, the APRC continued to speak with a strong Asian voice on core issues that concern the sustainable development of Asia-Pacific capital markets, while recognizing in its work the diversity of Asian economies and regulations. The APRC also promotes greater regional convergence of standards, indicating that it is far more than a discussion forum. As can be seen from the following summary, the Committee has ensured that its work is practical and effective.

The APRC Roadmap,[6] which sets out a strategic framework for making a meaningful contribution to the region's development, was launched at the APRC meeting in Tokyo on 11 March 2015. Under the Roadmap, three working groups were established for the purpose of coordinating regional responses to the extraterritoriality of overseas regulations; for the mapping of Collective Investment Scheme (CIS) regulation; and for supervisory and enforcement cooperation.

To ensure that overseas rulemaking continues to reflect the views of its members, the APRC sent a letter in April 2015 to Commissioner Jonathan Hill of the European Commission (EC) and to other relevant bodies regarding equivalence decisions under the EU Capital Requirements Regulation (CRR) and its effect on Asia-Pacific markets. Commissioner Hill replied and acknowledged the concerns raised. He also separately wrote to each affected member jurisdiction to address their specific circumstances. The APRC's collective efforts have facilitated equivalence decisions made by the European Commission, including those for CCPs.

The APRC subsequently sent a letter to the EC in November 2015, proposing to set up a regular forum to facilitate effective communication and implementation of EU cross-border financial reforms in Asia-Pacific. The APRC received a favorable response from Commissioner Hill in December. The APRC working group is now in discussion with the European authorities to establish this forum.

The APRC sent a letter to the IOSCO Board in March 2015 regarding regional cooperation under the IOSCO MMOU, the practice of restorative justice and APRC representation on Committee 4 for Enforcement and Exchange of Information. Two APRC members have since joined Committee 4 (Singapore MAS and Sri Lanka SEC) and one APRC member (China CSRC) has joined the Screening Group. There are now nine APRC members represented on Committee 4 out of a total of 31.

To expand regional cooperation for the supervision of firms, APRC members agreed to establish an APRC Supervisory Meeting alongside the annual Enforcement Meeting. The inaugural APRC Supervisory Meeting will be held in March 2016.

The Hong Kong SFC launched a series of inaugural APRC training webinars which have been very well attended and received. The use of webinars as a tool for capacity building is a highly effective and low cost method of sharing expertise among a large number of participants, including those in the growth and

6 Link to APRC Roadmap: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD481.pdf

emerging markets. The APRC webinar on risk-based supervision of market intermediaries now forms part of the IOSCO Online toolkit for members.

As members of the Pilot Hub Selection Committee for the APRC region, the Hong Kong SFC (as APRC Chair) and Singapore MAS (as additional APRC representative) considered the application from SC Malaysia. The role of a pilot hub is to provide a center for the training and education of regulators in an IOSCO region. APRC members were supportive of the application, which they submitted to the Selection Committee in December 2015, with the recommendation that SC Malaysia should host the first pilot regional hub of IOSCO in the region.

Ashley Alder will step down as Chair of the APRC in May 2016 after serving two terms.

Two APRC meetings were held in 2015: in Tokyo on 11 March and in London on 14 June.

Report by the Chairman of the European Regional Committee (ERC)

Jean-Paul Servais
> Chair of the European Regional Committee
> Chairman of Belgium's Financial Services and Markets Authority (FSMA)

The European Regional Committee (ERC) is the largest Regional Committee of IOSCO, composed of 49 ordinary members and two associate members, the European Securities and Markets Authority (ESMA) and the European Commission. The ERC Chair, together with the Hellenic Republic Capital Market Commission and the Swedish Finansinspektionen, represents the ERC on the IOSCO Board.

In 2015, the ERC held meetings in London (on the occasion of the IOSCO Annual Conference) and Krakow, Poland, as well as two conference calls.

On several occasions during the ERC meetings, members discussed important organizational and strategic issues for IOSCO, such as the 2020 Strategic Direction and the resources and funding of the organization. It also devoted ample attention to IOSCO's role in capacity building. In this context, members discussed the initiatives within IOSCO to set up regional hubs.

During the ERC meetings, members were regularly provided with information on key issues pertaining to the activities of IOSCO's policy committees and task forces, and they discussed issues relevant to the ERC, particularly in the area of investor protection and market conduct. The IOSCO General Secretariat also provided regular updates on the G20 and FSB work streams.

The ERC paid special attention to IOSCO's work streams relating to credible deterrence and cross-border regulation. Members welcomed IOSCO´s *Credible Deterrence* report published in June 2015. The report identifies key features of enforcement that may deter misconduct in securities and investment markets. Members discussed the challenges of cross-border regulation and welcomed the fact that cross-border regulation and its monitoring remain on IOSCO's agenda, following publication in September of the report of the *IOSCO Task Force on Cross-Border Regulation.*

Regarding the implementation of the IOSCO Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information (MMoU), the IOSCO General Secretariat provided regular updates on the status of MMoU implementation by the IOSCO membership, with a focus on ERC members. Nearly all ERC members have signed up to the MMoU. Regular updates and initiatives

continued to be carried out by the ERC regarding the remaining non-signatories.

In addition, members were informed of the progress on the drafting of the Enhanced MMoU that aims to improve the cooperation and information sharing between IOSCO members.

Members also continued regularly to discuss topics of particular relevance to the European region, notably through the exchange of information on relevant regulatory developments taking place in ERC jurisdictions, and with a focus on investor protection and market conduct. Experiences and best practices were shared among members. Committee members continued to be informed regularly about ESMA's activities, including the latest regulatory developments in the European Union.

Emerging risks and trends in members' financial markets were a regular topic of discussion. Members analyzed the specific issues faced by ERC jurisdictions and sought to identify emerging risks in European financial markets, with a view to drawing possible policy consequences, including additional potential areas of work for IOSCO.

A major topic of discussion was the possible risks involved in the marketing of leveraged financial products (including FX derivatives) to retail investors. The ERC is of the opinion that the ongoing IOSCO work on OTC leveraged products (Committee 3 on Regulation of Market Intermediaries) should lead to appropriate steps to address these risks to retail investors.

The ERC noted that the new 2020 Strategic Direction confirms that regional committees play a key role in ensuring that the interests and needs of members are understood and factored into IOSCO's work. Effective communication and coordination between the four regional committees and other IOSCO bodies is crucial to ensuring that IOSCO's significant initiatives are informed by the views of its members and that those members are aware of IOSCO's ongoing work. The ERC is committed to playing its role in this strategy to the fullest extent possible.

Lastly, the Committee is grateful to Secretary General David Wright for his ongoing contribution to the ERC meetings and wishes every success to the newly appointed Secretary General.

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

Jaime González Aguadé
> Chair of the Inter-American Regional Committee
> President of the National Banking and Securities Commission (CNBV) of Mexico

The Inter-American Regional Committee (IARC) met three times during 2015 to discuss relevant issues for the supervision and regulation of capital markets in the Americas.

During our first meeting (January, Mexico City), the membership discussed the study *Diagnosis and recommendations for the development of the securities markets and cross border investments*, prepared by the Ibero-American Federation of Exchanges. The Committee also received updates on the three IARC-COSRA[7] working groups (on self-regulatory organization (SRO) conflicts of interest, on the IARC-COSRA relationship; and on corporate governance). The Mexico City meeting was also a useful venue for a series of bilateral meetings in which non-MMoU[8] signatories reviewed with the IOSCO Secretariat their progress for becoming full members of IOSCO and discussed issues requiring additional clarification. These meetings were organized to assist member jurisdictions to fully comply with the IOSCO MMoU process and to increase the number of signatories from the Americas.

The second meeting (June, London) was held during the IOSCO Annual Conference. The meeting was an opportunity to inform the membership of the different resolutions that would be submitted to the Presidents Committee later that week. These included the IOSCO 2020 Strategic Direction, its funding strategy, and capacity building. The meeting was also useful for following up on the different activities of the IARC-COSRA working groups.

The last meeting of 2015 was held in Kingston, Jamaica in November. There we focused our discussion on corporate governance issues, specifically the revised G20/OECD Principles and their implications for listed companies and listed state-owned companies. The original Principles were issued in 1999 and were later revised in 2004 and 2015. The discussion centered on board practices, strengthening shareholder rights, supervision and enforcement, and risk management.

IARC also discussed the June 2015 report *Adoption of Corporate Governance Practices in the Americas*. The report was coordinated by our Working Group and based on the answers to a 76-question survey completed by 17 countries. The survey obtained information regarding the development, implementation and enforcement of corporate governance standards in COSRA jurisdictions. In Jamaica, the committee also discussed alternative mechanisms for the financing of SMEs and different viewpoints on regulatory regimes for crowdfunding.

This IARC meeting was also an opportunity for our members to report on recent developments in their financial markets. Jamaica, for instance, presented its financial reform (covering securities, banking and payment systems); Mexico summarized its new energy and infrastructure vehicles; while Peru summarized its new regulation on economic groups and indirect ownership; among other presentations. In addition, we heard from a domestic credit rating agency that is undertaking cross-border operations and has obtained registration in foreign countries. Through this presentation we were able to assess the complexities of cross-border operations from the perspective of a market participant.

New MMoU signatories

Finally, one of the most important features of the last two years has been our efforts to help IARC

7 COSRA is the Council of Securities Regulators of the Americas

8 Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU)

members become signatories of the IOSCO MMoU. In 2014, Argentina became a MMoU signatory and Mexico participated in the relevant verification team. In February 2015, the FSC of Jamaica became a full signatory. Finally, in 2016, two new members from IARC will join IOSCO, Ecuador and Turks & Caicos, bringing the total number of IARC signatories to 21 from 17. We will continue to support members in their application and screening processes. We will also ensure technical assistance to non-signatory members, helping them to make the necessary changes to become signatories to the IOSCO MMoU.

Issues going forward

Going forward, our domestic financial markets are facing new challenges. As the IOSCO Board and the Growth and Emerging Markets Committee have noted, a pressing task for us is to continue to expand our markets and prepare them to become key drivers of growth and competitiveness, and a source of financing for our businesses, particularly small and medium-sized enterprises. Consequently, IARC is firmly committed to these initiatives and has discussed alternative sources for SME financing, such as crowdfunding and SME trading platforms. Accordingly, IARC members also participated in the joint initiative of the Growth and Emerging Market Committee and the World Federation of Exchanges to analyze SME financing through capital markets.

Numerous discussions in international fora have sought greater integration of the region´s financial markets. Some IARC jurisdictions continue to move in this direction. An example is the Latin American Integrated Market (MILA), which since August 2014 comprises Chile, Colombia, Mexico and Peru. Panama and El Salvador also are undertaking a similar initiative.

As several IOSCO documents have noted, the current MMoU has set the benchmark for international cooperation in enforcement matters. By facilitating information sharing and cooperation, the MMoU enables the detection and prosecution of fraud and illegal conduct, deters wrongdoers and prevents regulatory arbitrage. But since 2002, when the current MMoU was established, global capital markets and financial technology have undergone significant changes. Therefore IOSCO has underscored in its 2020 Strategic Direction the Board's commitment to completing the Enhanced MMoU, which will take into account the new challenges to the enforcement efforts of IOSCO members. Once the EMMoU is approved, the General Secretariat will require regional committees to support technical assistance programs and communicate the progress made on adoption. Consequently, IARC will coordinate with the General Secretariat the provision of technical assistance programs for implementation of the EMMoU in the Inter-American region.

All these challenges will continue to be further analyzed and discussed in the forthcoming years.

Report from the Chair of the Assessment Committee

Steven Bardy

> Chair of the Assessment Committee

> Senior Executive Leader International Strategy of the Australian Securities and Investments Commission

This has been a year of significant achievement for the Assessment Committee (AC). Our projects and reports continue to underscore our strategic importance in both IOSCO and as part of the international implementation monitoring agenda.

Before outlining the achievements for 2015, I would like to summarize the AC's responsibilities and outline what I see as our value add.

Our Responsibilities

We have three primary responsibilities.

The **first** is the design and conduct of Thematic Reviews, which are reviews of implementation across our membership of particular elements of *IOSCO Objectives and Principles of Securities Regulation* (IOSCO Principles) and other IOSCO standards and guidance.

The **second** is the design and conduct of Country Reviews, which are reviews of self assessments prepared by particular IOSCO members about their implementation of the IOSCO Principles.

The **third** is maintaining and periodically updating the IOSCO Principles and supporting Methodology (Methodology) through the Implementation Task Force Sub-Committee (ITFSC).

Our Value Add

Our value add to IOSCO and our members lies in the following.

The **first** is in identifying, through our reviews, opportunities for members to align their regulatory frameworks with IOSCO's Principles, standards and guidance. Our findings lay the foundation both for regulatory reform and for capacity building initiatives.

The **second** is in encouraging the development of regulatory frameworks consistent with IOSCO's Principles, standards and guidance across our membership. This consistency can contribute to members recognizing regulatory approaches in other jurisdictions as equivalent and, in turn, can contribute to reducing barriers and hurdles to cross-border activity.

The **third** is ensuring that the IOSCO Principles (and Methodology) are up to date, accessible and usable.

This value add highlights the key role we play in IOSCO – in particular linking IOSCO's standard setting and capacity building work – a role recognized and supported as a priority in the IOSCO 2020 Strategic Direction.

Our Achievements

During 2015, we published reports on five projects – four Thematic Reviews and our first Country Review.

Thematic Reviews

In July, we published final reports of our *Review of Implementation of Progress in Regulation of Derivative Market Intermediaries* (DMI Review) and *Thematic Review of the Implementation on the Timeliness and Frequency of Disclosure to Investors according to Principles 16 and 26 of the IOSCO Objectives and Principles of Securities Regulation* (Disclosure Review).

The DMI Review provided useful information on the status of reforms in a key post-crisis reform area. The Disclosure Review provided opportunities for members

to reflect on the need for reform and opportunities for IOSCO to reflect on whether further guidance is needed based on the range of practices the review identified.

In September, we published final reports of our *Peer Review of Regulation of Money Market Funds* (MMF Review) and *Peer Review of Implementation of Incentive Alignment Recommendations for Securitisation* (Securitisation Review). These reviews considered implementation of key standards developed by IOSCO. The reports found that participating jurisdictions had made significant but varied progress in implementing IOSCO's Incentive Alignment Recommendations and adopting regulation and polices across eight MMF Reform Areas. As G20/FSB priority areas, the reports were shared with the G20. Follow up work to these reviews has been requested by the FSB and will be conducted in 2016.

Country Reviews

In July, the AC published the final report of our first Country Review of the Islamic Republic of Pakistan. The Review – sought by the Securities and Exchange Commission of Pakistan (SECP) – assessed implementation of IOSCO Principles. The report identified progress through the SECP's reform programs and identified gaps and weaknesses. It included a roadmap to guide addressing the gaps and weaknesses that the SECP will report on through 2016. We are aiming to conduct a follow up review which might start in late 2016. The Review Team responsible for the review and the AC appreciated the SECP's commitment, not only to participate in the review, but to take on board and address our recommendations. That commitment is essential to the effectiveness and value of our Country Reviews.

Maintaining and Updating the Principles and Methodology

We have dedicated significant thought and effort this year to updating the IOSCO Principles and supporting Methodology. These documents are not only the basis for assessments undertaken by the International Monetary Fund, the World Bank and the AC, but they also provide important guidance to growth and emerging markets about the core elements of an essential regulatory framework for securities markets activities.

Under the leadership of Philipp Sudeck of Germany´s BaFin, the ITFSC has made good progress in applying the two-stage review process set out in the *Framework for Updating the IOSCO Principles and Methodology* (the Framework) and agreed to by the Board in April 2014.

The coming year

This, again, will be an active year for the AC.

We will complete and publish follow up work to our 2014 Reviews of the implementation of IOSCO's *Principles for Financial Benchmarks* by the administrators of key IBOR (published in February 2016) and FX benchmarks. These two "direction of travel" reports will test progress in implementing the recommendations in the earlier reviews.

We will also commence follow up work to our 2015 MMF Review and Securitisation Review. The outcomes of these reviews will also be reported to the FSB and G20 Leaders.

We will also complete a review started in 2015 on assessing progress in implementing IOSCO's 2014 *Recommendations regarding the Protection of Client Assets*. This project will raise awareness of how these recommendations can address an area of real interest and concern to a broad cross section of IOSCO's membership.

We will finalize our Country Review of Trinidad and Tobago, started in 2015, undertake a Country Review of Sri Lanka and consider the timing of a follow up review of Pakistan.

Of particular importance, we will aim to complete our work in updating and revising the IOSCO Principles and Methodology.

Finally, and importantly we will be piloting a new form of implementation monitoring in 2016 – the IOSCO Standards Implementation Monitoring (ISIM) Programs.

Our experience over the last two years in particular has highlighted the resource intensive nature of our work. Despite the value of our work to date, we are exploring other, more resource efficient, ways of delivering the benefits of our work. The ISIM

Programs – one focused on implementation of G20-driven reforms by FSB jurisdictions, the other on implementation by GEM members of key IOSCO Principles – will give us the chance to do this.

A further challenge for us in 2016 will be to develop our thinking about assessing the impact and effectiveness of IOSCO standards and guidance. This is timely, considering it is now six years since IOSCO took its first steps to address the issues flagged by the crisis.

Our work to date has focused primarily on whether members have taken steps to implement standards and guidance. Our value to IOSCO and the global regulatory community will be enhanced by turning our minds to understanding and reporting on the difference that implementation of IOSCO standards and guidance has made.

A Thank You

I would like to extend my thanks to each and every member of the AC and to our Review Team members for their contributions to our work. Our work has seen constructive, engaging and stimulating meetings in Pretoria, Berlin, Sydney (and the Blue Mountains). But it has also been challenging, intense and resource intensive work. We would not have been able to achieve all that we have without the energy and commitment of our members – and that of their agencies. That commitment is enormously appreciated.

I want particularly to thank Raluca Tircoci-Craciun of the IOSCO Secretariat for her unflagging and invaluable support to the AC. She has kept us on track – and done so with her usual diplomatic aplomb.

Finally, I would also like to thank Amarjeet Singh of SEBI, the AC Vice Chair, for his great support and dedication to and belief in our work through the year. The ISIM programs owe much to his foresight and practical thinking.

I also want to thank Philipp Sudeck of BaFin for his enthusiasm, dedication and discipline in leading the ITFSC's work on the Principles and Methodology review.

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

> Chair: **Georgina Philippou (UK FCA)**
> Vice Chair: **Jean-François Fortin (Québec AMF)**

The *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (MMoU) represents a common understanding among its signatories of how they should consult, cooperate, and exchange information for the purpose of regulatory enforcement regarding securities markets.

The Screening Group is tasked with reviewing MMoU applications to establish if applicants meet the requirements for becoming signatories to the *IOSCO MMoU.* At the same time, the IOSCO General Secretariat offers guidance and other assistance to non-signatories to encourage them to move forward with their applications.

MMoU Compliance

In 2015, three IOSCO members signed the MMoU, bringing the total number of signatories at year end to 106:

- The Bank of Russia, February
- The Financial Services Commission of Jamaica, February
- The Securities and Exchange Commission of Central Africa, November

Another 18 were 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. One member had not yet agreed to be listed on that Appendix and a further two applications were in an initial review process. Of the 21 members who were on the IOSCO List of Non-signatories ('2013 MMoU List')[9] at year end, most have taken concrete steps to address, through legislative amendments, the issues preventing them from complying with all MMoU requirements.

The growing number of signatories has increased cross-border cooperation, enabling regulators to investigate a growing number of insider trading cases, fraudsters and other offenders. In 2006, a total of 526 requests for assistance were made pursuant to the MMoU; the annual figure increased to 2,658 in 2013, to 3,080 in 2014 and to 3,203 in 2015.

Enhanced MMoU

The current MMoU has set the benchmark for international cooperation among securities regulators in enforcement matters. By facilitating information sharing and cooperation, the MMoU enables the detection and prosecution of fraud and illegal conduct, deters wrongdoers and prevents regulatory arbitrage.

But, since 2002, when the current MMOU was established, there have been significant changes in the sophistication and size of global financial markets, and in the technology that both facilitates and potentially disrupts them. In 2010, IOSCO asked the Screening Group to confront these challenges by developing "*a further standard beyond the existing IOSCO MMOU, taking into account developments in markets and supervisory and enforcement practices.*"

In 2015, the Screening Group moved significantly closer to completing its work on an Enhanced MMoU, which would give new powers to signatories while fostering greater collaboration among them.

9 The Executive Committee decided that IOSCO should create a list after 1 January 2013 to include members who had failed to file an application to become a signatory of the IOSCO MMoU. The list is called the '2013 List', but it is kept updated.

IOSCO Research

The Research Function was set up in 2010 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. The IOSCO 2020 Strategic Direction expanded the scope of this research mission to go beyond financial stability and include IOSCO´s two other core objectives: investor protection and fair, efficient and transparent markets.

Securities markets are characterized by rapid change and financial innovation. Securities regulators in their jurisdictions, and IOSCO at a global level, rely on the Research Function to help keep them informed of potential risks emanating from new products, business models, activities, and participants. The Research Function helps IOSCO focus its strategic policy agenda and provides insights for policy work.

The Research Function consists of a Committee on Emerging Risks (CER), chaired by Jennifer Marietta-Westberg, Deputy Chief Economist of the U.S. Securities and Exchange Commission, and a small Research Department at the General Secretariat, headed by Werner Bijkerk. In December 2015, Dr. Marietta-Westberg succeeded Theodor Kockelkoren, board member of the Netherlands Authority of the Financial Markets (AFM).

The identification of global risks

During the year, the Research Function prepared the *IOSCO Securities Market Risk Outlook 2016.* The Outlook, written by the Research Department with contributions from CER members, is based on a number of inputs, including data collection and analysis, extensive market intelligence, interviews with experts in major financial centers, roundtable discussions on risk with industry and regulators, input from IOSCO policy committees, and risk reports and presentations by experts. The Research Department also conducted in its annual survey of financial market regulators and leading experts on emerging risks in securities markets in April/May 2015. The aim of the survey was to help identify or highlight pockets of risk that might not be captured by other means.

The Outlook, which was published in March 2016, synthesizes these inputs and adopts a global and forward-looking approach to understanding risks that could become a threat to financial stability, as well as to investor protection, and the fair, efficient and transparent operation of markets.

The main issues highlighted in the Outlook are (1) market liquidity; (2) risks associated with use of collateral in financial transactions; (3) harmful conduct in relation to retail financial products and services; and (4) cyber threats.

The Outlook also highlights trends and potential vulnerabilities. Among these are: (1) the impact on securities markets from interventions of central banks worldwide; (2) the impact on securities markets from falling commodity prices and uncertainty over global growth trends; (3) general trends in corporate bond, equity and securitized product markets; (4) trends in emerging market securities markets related to leverage, capital flows, and market-based financing; and (5) the increasing digitalization of financial markets and potential for technological disruptors.

The risks addressed in the 2014-2015 Outlook – search for yield, capital flows to emerging markets, central clearing, use of collateral, and governance and culture of financial firms – remain among risks of concern and continue to be monitored and addressed by IOSCO policy work. The latest Outlook also discusses the issues relating to asset management activites, in light of current debates over the systemic importance of this industry and the regulatory work underway.

In-depth studies on pressing global issues

The Research Department also publishes in-depth exploratory analyses in the form of *Staff Working Papers.* The papers published in 2015 were:

- An emerging markets perspective on *Corporate Bond Markets*, including potential risks and the role in market-based and long-term financing.
- A *Survey of Securities Markets Risk Trends 2015* showing the changing perception of risks over the last four years.

These staff papers are often referenced by IOSCO policy committees in their global standard setting and other policy work.

Data collection

IOSCO data is available to members and the public on the research and statistics portal of the IOSCO website. In 2015, the CER undertook a mapping of the data available to its members, and is now extending this exercise to include members of the IOSCO Board. Having more available data will enable regulators to better monitor emerging risks in securities markets. The CER also surveyed its members regarding the data available specific to asset management to help inform the ongoing debate on this industry. The Research Function also collaborated with IOSCO policy committees on their data gathering and analysis, and increased the data collected on market trends in Africa and the Middle East, in collaboration with the IOSCO Africa /Middle East Regional Committee (AMERC).

Outreach, debate, training and education, and capacity building

In 2015, staff of the Research Department delivered keynote speeches, participated on panel presentations and provided training at meetings and events held by IOSCO members, other regulatory organizations, and market participants. The Research Department also regularly helps organize risk roundtables for IOSCO Board meetings in which experts exchange views with Board members on a specific issue. Recent discussions focused on the impact of technical innovation on financial markets and services. The Research Department also organized a “cyber-attack simulation” at the annual conference of the Growth and Emerging Markets committee in early 2016.

Participation in other fora for identifying global systemic risk

In its capacity as global standard setter of securities market regulation, IOSCO supports the global risk identification and mitigation efforts by the G20, the Financial Stability Board (FSB), the International Monetary Fund (IMF), the Committee on Payments and Market Infrastructures (CPMI) and other organizations that are tackling similar issues, such as the European Systemic Risk Board (ESRB) and the European Central Bank (ECB). To that end, the staff of the Research Department and the Chair of the CER actively engage with these organizations and institutions by providing input and making presentations about potential risks in securities markets. In 2015, the CER submitted a report to the FSB with case studies on risk events involving asset management. This report was instrumental in helping shape the debate on potential risks posed by asset management activities.

Ultimately, efforts to identify, monitor and mitigate risks throughout the financial system should help promote financial stability by curbing excessive risk taking, improving investor protection and facilitating capital formation.

IOSCO´s Global Education and Training Program

IOSCO is uniquely positioned to help its members prepare for the regulatory challenges ahead. In response to a growing demand from members - and in particular emerging markets - IOSCO Education and Training continues to build the regulatory capacity of its members by offering new and innovative seminars and workshops that draw on the expertise of IOSCO policy committees, industry practitioners, academia and the regulatory community. This program continues to be a primary vehicle for advancing IOSCO´s regulatory goals and the implementation of its standards and principles.

IOSCO Education & Training (E&T) Activities 2015

IOSCO Seminar Training Program

IOSCO´s annual flagship capacity building program, the Seminar Training Program (STP), was held at IOSCO´s headquarters in Madrid from 20 to 23 October 2015. As in past years, this program again reached full capacity, attracting over 100 participants representing over 50 different jurisdictions.

As in previous years, the content chosen for the 2015 STP program was based on the results of recent member surveys. In response to the increasing interest of IOSCO members in investor education related topics, the theme of this year´s program was *Investor Education and Protection – The Major Challenges Ahead*. The program gave rise to fruitful discussions between regulators, researchers and academics on issues such as the changing scope / role of regulation; financial literacy and education: the global scope of the problem and ramifications for securities regulators; strategies for enhancing investor protection; challenges facing investor protection (including cybercrime and digital disruption); the role of the regulators in designing and implementing investor education and financial literacy programs; working with the private sector on investor education and financial literacy issues; transparency and disclosure in financial markets; investment advice and issues of mis-selling; investor education and prevention of fraud; complaint-handling and recourse for investors; alternative dispute resolution; and how to design an investor education program as a regulator.

STP's are designed to provide practical advice, as well as tools and solutions that regulators may immediately use to meet their regulatory responsibilities. All available materials are accessible in the Training Library on the members area of the IOSCO website.

Joint IOSCO / Financial Stability Institute (FSI) Seminar

The 10th joint IOSCO and FSI Seminar took place from 18 to 20 November 2015 in Basel, Switzerland. The FSI is the training arm of the Bank for International Settlements, making this seminar an effective forum for examining cross-sectoral issues. The seminar focused on regulatory, legal and compliance issues. In particular, the seminar included sessions on cross-border regulation, asset management and systemic risk, data harmonization, asset securitization, cyber resilience, the work by CPMI and IOSCO to address the risks related to CCPs, and the recent work on implementation monitoring. It also provided a regulatory perspective on recent global enforcement cases. Around 90 participants from almost 50 different jurisdictions attended the seminar.

IOSCO AMCC Training Seminar

The 8th edition of the IOSCO Affiliate Members Consultative Committee (AMCC) Training Seminar was held from 27 to 28 October 2015 in Zürich, Switzerland, hosted by SIX Exchange Regulation. Topics of this year´s seminar included: recent trends in identifying market abuse and innovative approaches to market surveillance; key elements of a sound risk-based supervision system; addressing conflicts of interest; latest developments in cybersecurity and the role of regulators in dealing with this issue; and making a difference through enforcement actions: credible deterrence. This year the program attracted a record number of more than 140 participants from around 50 different jurisdictions.

Joint IFIE / IOSCO Investor Education Conference

The 7th joint IFIE-IOSCO Investor Education Conference was held from 18 to 20 May 2015 in Kuala Lumpur, hosted by the Securities Commission of Malaysia. This year´s theme was *Financial Capability and Investor Engagement: Goals, Strategies, Outcomes*. The conference attracted over 100 global participants and included workshops and breakout sessions, a research roundtable on behavioral economics, and panel discussions on the major financial capability/investor education concerns in growth and emerging markets, private sector engagement, and the evolving role of the public sector in delivering investor education programs.

GEM Committee Training Contributions

Regulatory Workshops

The Growth and Emerging Markets (GEM) Committee of IOSCO continued organizing regulatory workshops for all IOSCO members. The 2015 GEM Committee Conference in Cairo featured a workshop on *Crisis Simulation* which was conducted by the Toronto Centre on 28 April 2015 and attracted around 70 participants. Two workshops were also held on 16 June during the annual conference in London on the topics of *Credible Deterrence* and *Consumer Vulnerability*, attracting almost 140 and 110 participants, respectively.

IOSCO Corporate Bond Markets (CBM) Outreach Program

In 2013 IOSCO launched a Corporate Bond Markets (CBM) Outreach Program in collaboration with the World Bank. Since then, CBM workshops have taken place in the Africa/Middle-East, Asia-Pacific and European regions, and a workshop for the Inter-American region is being planned for 2016.

Education and Training Survey

In the first quarter of 2015, IOSCO carried out an online survey of the E&T needs and aspirations of all IOSCO members as a follow up to similar surveys in 2009, 2011, and 2013. In total 78 IOSCO members responded to the survey. The objective results of the 2015 E&T Survey have been added to the Training Library on the members area of the IOSCO website.

The results of the survey identified high priority topics that laid the foundation for IOSCO Education and Training activities in 2015, most notably for the 2015 Seminar Training Program in Madrid.

The survey offered 83 different topics concerning securities regulation and asked respondents to indicate their level of interest in each topic on a scale of 1 to 7, with 7 indicating *very interested*. The following topics received the strongest support[10] according to the 2015 Survey:

Emerging Risks in Securities Markets	72%
Exchange Regulation and Supervision	71%
Risk Based Supervision	71%
Investor Protection	69%
Conducting Regulatory Investigations	68%
Investment Funds, Hedge Funds and other Inv. Schemes	68%
Market Manipulation	68%
Going Forward: Regulation and Supervision	66%
Risk Management	64%
Securities Market Risk Analysis	63%
Helping Investors Avoid Fraud	62%
Insider Trading (Investigations)	61%
Market Development	61%
Crisis Management	60%
Ethics	60%
Sanctions	60%
Cross Border Regulation	59%
Investor Education	59%

IOSCO International Secondment Register

Following a survey of IOSCO members’ involvement and experiences with secondments, the Australian Securities and Investments Commission (ASIC) designed an International Secondment Register, which was launched in May 2015 on the members area of the IOSCO website. Through this register, IOSCO members are now able to match secondment offers with demand.

10 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.

Global Certificate Program for Securities Regulators

At its October 2015 meeting in Toronto, the IOSCO Board approved the launch of a Global Certificate Program designed specifically for securities market regulators. Soon after, the IOSCO General Secretariat and the Program on International Financial Systems at Harvard Law School agreed on a framework for a joint two-phase Global Certificate Program. The Board later approved the launch of the program in 2016 based on this framework.

Under the framework, the IOSCO Global Certificate Program will consist of two phases, covering some fundamental aspects of securities regulation:

- Phase I, administered by IOSCO, will consist of three components:
  - Compulsory online learning materials – the IOSCO online toolkit and selected IOSCO pre-course reading materials
  - In-person module on regulation – a face-to-face seminar at IOSCO Headquarters in Madrid on regulation, presented primarily by current or former regulators
  - In-person module on compliance – a face-to-face seminar at IOSCO Headquarters in Madrid on compliance, presented primarily by current or former regulators
- Phase II, administered by Harvard, will consist of a one-week face-to-face seminar at the Harvard Law School with a focus on regulatory policy designed to remain ahead of the curve, and delivered by securities regulators and leading public policy makers.

The certificate will be co-branded for this two-phase program. To ensure a cohesive program that meets the expectation of attendees, both Harvard and IOSCO will share general oversight of the program. The format of the program will include extensive use of case studies, hypothetical exercises, and group exercises. There will be course and pre-course reading, homework exercises, and group projects for each phase.

This program is a unique opportunity to bring securities regulators together and, in a structured yet flexible format, to share experiences and to learn techniques and regulatory strategies that are practical, innovative, and represent the very latest thought in enhanced securities regulation. The program is designed with the ultimate goal of helping regulators globally to increase and enhance their regulatory skills for protecting investors, ensuring the integrity of the capital markets and strengthening financial stability.


OICU-IOSCO

General Information

The International Organization of Securities Commissions (IOSCO) is an international association of securities regulators that was established in 1983. 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 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.

Structure of IOSCO

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

The Board is the governing and standard-setting body of IOSCO. As of September 2014, it is 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,

e) Two members elected by each of the four regional committees from their membership.

The Presidents Committee resolved in June 2015 that as of the IOSCO Annual Meeting in May 2016 the IOSCO Board shall be composed of:

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 two Vice Chairs of the Growth and Emerging Markets Committee,

c) The Chairs and the Vice Chairs of the four regional committees,

d) One member elected by the GEM Committee from its membership,

e) One Member elected by each of the four regional committees from their memberships.

Greg Medcraft, the Chairman of the Australian Securities & Investments Commission (ASIC), took over as Chair at the Board meeting in Sydney in March 2013, and was re-elected for another two-year term at the inaugural meeting of the newly constituted Board in Rio de Janeiro in September 2014. In 2015, the Board Chair was supported by two Vice Chairs; Howard I Wetston, Chairman of the Ontario Securities Commission (elected by the Board in March 2013) and Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia (ex-officio as GEM Chair). The Board elected Ashley Alder, Chief Executive Officer of the Hong Kong Securities and Futures Commission, to replace Mr. Wetston in December 2015.

The Growth and Emerging Markets Committee is the largest committee within IOSCO, representing almost 80% of IOSCO´s ordinary membership. Ranjit Singh, Chair of the Securities Commission Malaysia, is the Chair of the GEM Committee. The two Vice Chairs are Bert Chanetsa, Deputy Executive Officer, Investment Institutions, Financial Services Board, South Africa, and Leonardo P. Gomes Pereira, Chairman, Comissão de Valores Mobiliários, Brazil. The GEM 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 Committee comprises 87 members which includes 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 have 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 Chair of the GEM Committee is one of the IOSCO representatives on the Financial Stability Board Plenary. The GEM Committee also has a seat on the IFRS Foundation Monitoring Board.

IOSCO also has four regional committees, which meet to discuss issues 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 a 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.

To meet the goal and priorities laid out in the IOSCO 2020 Strategic Direction, the Presidents Committee agreed at its meeting in June 2015 in London to the following fee contribution structure:

MEMBERSHIP CATEGORY	ANNUAL FEE 2016-2020 (IN EUROS)
Nominated Board members	46,500
Other Ordinary and Associate C3 category members (high income - high GDP)	42,000
Other Ordinary and Associate B3 category members (high income - medium GDP)	28,000
Other Ordinary and Associate C2 category (medium income - high GDP)	28,000
Other Ordinary and Associate B2 category members (middle income-middle GDP)	21,000
Other Ordinary and Associate A3 members (high income - low GDP)	21,000
Other Ordinary and Associate C1 members (low income - high GDP)	21,000
Other Ordinary and Associate B1 members (low income - medium GDP)	17,000
Other Ordinary and Associate A2 members (mid income - low GDP)	17,000
Other Ordinary and Associate A1 members (low income - low GDP)	13,750
Other Associate members (international organizations)	18,000
Affiliate members	The annual fee will be applied on the basis of a 10% increase on 2012-2015 fee levels

Membership categories A1-C3 as defined in the April 2011 Presidents Committee Resolution on Funding the Strategic Direction https://www.iosco.org/library/resolutions/pdf/IOSCORES30.pdf

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 Concerning Consultation and Cooperation and the Exchange of Information (MMoU). 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 on for the purpose of furthering the objectives of the organization.

Affiliate members may attend part of 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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Website: www.iosco.org

IOSCO Members

Ordinary Members (126)

AGENCY	COUNTRY
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
Commission de Surveillance du Marché Financier de l'Afrique Centrale	CENTRAL AFRICA
Superintendencia de Valores y Seguros	CHILE
China Securities Regulatory Commission*	CHINA
Financial Supervisory Commission	CHINESE TAIPEI
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
Danish 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

*Member of the IOSCO Board

Financial Supervision Commission	ISLE OF MAN
Israel Securities Authority	ISRAEL
Commissione Nazionale per le Società e la Borsa*	ITALY
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 (AMF Quebec)*	CANADA
Financial Supervision Authority (ASF)	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
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
Financial Services Commission	TURKS AND CAICOS ISLANDS
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 (20)

Comissao do Mercado de Capitais	ANGOLA
Non-Bank Financial Institution Regulatory Authority	BOTSWANA
The Auditor General of the Securities Market	CAPE VERDE
Centrale Bank van Curaçao en Sint Maarten	CURAÇAO
Dubai Financial Services Authority	DUBAI
European Securities and Markets Authority	EUROPE
European Commission	BELGIUM
Organisation de coopération et de développement économiques	FRANCE
Securities and Exchange Organization	IRAN
Securities and Exchange Surveillance Commission	JAPAN
Korea Deposit Insurance Corporation	KOREA, REPUBLIC OF
Labuan Financial Services Authority	MALAYSIA
Namibia Financial Institution Supervisory Authority	NAMIBIA
Asian Development Bank	PHILIPPINES
Qatar Financial Centre Regulatory Authority	QATAR
Capital Market Authority	RWANDA
Union of Arab Securities Authorities	UNITED ARAB EMIRATES
Abu Dhabi Global Market Financial Services Regulatory Authority	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
Bahrain Bourse	BAHRAIN, KINGDOM OF
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
Central of Custody and Financial Settlement of Securities	BRAZIL

*Member of the IOSCO Board

BM&F Bovespa Market Supervision	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 Securities Depository and Clearing Corporation Limited	CHINA
China Financial Futures Exchange	CHINA
Taiwan Stock Exchange Corp.	CHINESE TAIPEI
Taipei Exchange	CHINESE TAIPEI
Taiwan Futures Exchange	CHINESE TAIPEI
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
BSE Limited	INDIA
Multi Commodity Exchange of India Limited	INDIA
National Stock Exchange	INDIA
Indonesia Stock Exchange	INDONESIA
Japan Securities Dealers Association	JAPAN
Japan Exchange Group, Inc.	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
The Stock Exchange of Thailand	THAILAND
Borsa Istanbul	TURKEY
Dubai Gold and Commodities Exchange	UNITED ARAB EMIRATES
NASDAQ Dubai Ltd	UNITED ARAB EMIRATES
Hedge Fund Standards Board	UNITED KINGDOM
ICI Global	UNITED KINGDOM
LCH.Clearnet Group Limited	UNITED KINGDOM
World Federation of Exchanges Ltd.	UNITED KINGDOM
Securities Investor Protection Corporation	UNITED STATES OF AMERICA
Financial Planning Standards Board Ltd.	UNITED STATES OF AMERICA
International Swaps & Derivatives Association, Inc.	UNITED STATES OF AMERICA
Depository Trust & Clearing Corporation (DTCC)	UNITED STATES OF AMERICA
CFA Institute	UNITED STATES OF AMERICA
CME Group	UNITED STATES OF AMERICA
Financial Industry Regulatory Authority	UNITED STATES OF AMERICA
Global Financial Markets Association	UNITED STATES OF AMERICA
National Futures Association	UNITED STATES OF AMERICA
Options Clearing Corporation	UNITED STATES OF AMERICA

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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Independent 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 2015, 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 2015, 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, April 19, 2016

Financial Statements

Statement of Comprehensive Income (in euros)

Year ended December 31, 2015

Notes 1 and 2

	2015	2014
REVENUE		
Contributions from members (Note 3)	4,066,769	4,211,050
Annual Conferences (Note 3)	120,000	120,000
Exchange Gain	7,014	10,753
Other (Note 3)	33,135	30,549
2015 Capacity Building Program (Note 14)	43,795	-
Total Revenue	**4,270,713**	**4,372,352**
EXPENSES		
Salaries and employee benefits (Note 4)	2,220,036	2,177,824
Rental and maintenance (Note 13)	87,869	88,047
Travelling	435,179	467,133
Office Supplies	22,592	35,480
Organization and follow up of meetings	64,784	103,879
Telecommunications	109,533	103,975
Delivery and communication	8,297	6,113
Printing and Annual Report	43,994	48,853
Information Technology	150,839	152,651
Professional fees	145,075	87,618
Educational programs and Technical Assistance	139,504	86,170
Miscellaneous	48,016	41,861
Exchange loss	-	-
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	40,413	39,316
2015 Capacity Building Program (Note 14)	43,795	-
Total Expenses	**3,659,926**	**3,538,920**
Taxation (Note 11)	**-**	**-**
Excess of revenue over expenses before tax (expenses over revenue)	**610,787**	**833,432**
Other comprehensive income net of tax	-	-
Total comprehensive income for the year net of tax	**610,787**	**833,432**

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

Statement Of Financial Position (in euros)

Year ended December 31, 2015

Notes 1 and 2

	2015	2014
ASSETS		
Current assets		
Cash (Note 6)	1,235,832	1,277,690
Term Deposits (Note 6)	4,000,000	3,000,000
Accounts Receivable (Note 8)	50,469	59,175
Prepaid Expenses (Note 9)	80,941	52,239
	5,367,242	**4,389,104**
Capital Assets (Note 7)	80,915	110,240
Total Assets	**5,448,157**	**4,499,344**
LIABILITIES		
Current Liabilities		
Accounts Payable and accrued liabilities (Note 8)	445,180	362,343
Contributions received in advance (Note 3)	493,833	238,646
Total Liabilities	**939,013**	**600,989**
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	610,787	833,432
Unrestricted members´ funds	3,898,357	3,064,923
Total members' Funds	**4,509,144**	**3,898,355**
Total liabilities and members' Funds	**5,448,157**	**4,499,344**

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

Statement of Changes in Net Assets (in euros)

Year ended December 31, 2015

Notes 1 and 2

		2015	2014
	UNRESTRICTED	TOTAL	TOTAL
Balance, beginning of year	3,898,357	3,898,357	3,064,923
Excess of revenue over expenses net of tax (expenses over revenue)	610,787	610,787	833,432
Balance, end of year	**4,509,144**	**4,509,144**	**3,898,355**

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

Statement of Cash Flows (in euros)

Year ended December 31, 2015

Notes 1 and 2

	2015	2014
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	610,787	833,432
Depreciation of capital assets (Note 7)	40,413	39,316
Decrease (increase) in working capital items (Note 10)	318,028	(21,788)
Net cash generated	**969,228**	**850,960**
INVESTING ACTIVITIES		
Term deposits transactions (Note 6)	(1,000,000)	(2,500,000)
Capital expenditures (Note 7)	(11,086)	(95,557)
Net cash used	**(1,011,086)**	**(2,595,557)**
Net increase (decrease) in cash and cash equivalents	**(41,858)**	**(1,744,597)**
Cash and cash equivalents, beginning of period	1,277,690	3,022,287
Cash and cash equivalents, end of period	**1,235,832**	**1,277,690**
CASH AND CASH EQUIVALENTS		
Cash (Note 6)	1,235,832	1,277,690
Total cash and cash equivalent	**1,235,832**	**1,277,690**

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 March 31, 2016.

Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at cost or 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%
Vehicles	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 for the net amount 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 interest from term deposits (see Note 6).

The account "Contributions received in advance" of the statement of financial position at 31 December 2015 includes funding received from members in 2015, amounting € 493,833; which are designated for subsequent periods (contributions of € 238,646 received in advance during 2014) as detailed in the chart below. Part of these contributions correspond to members´ ordinary membership fees, the remainder correspond to contributions received in advance from nominated Board members in account of the 2015 Capacity Building Program (see note 14):

	2015	2014
Ordinary membership contributions	297,628	238,646
2015 Capacity Building Program (see Note 14)	196,205	-
Total contributions received in advance	**493,833**	**238,646**

(in euros)

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2015 and 2014 is shown in the chart below:

	2015			2014		
	Men	Women	Total	Men	Women	Total
Permanent staff	8	11	19	9	11	20
Secondees	8	1	9	7	1	8
Intern	-	1	1	-	1	1
Total Staff	**16**	**13**	**29**	**16**	**13**	**29**

Total salary and employee benefits´ cost are shown in the chart below:

	2015	2014
Gross salaries	1,896,092	1,837,552
Spanish social security	235,819	242,827
Other social benefits	88,125	97,445
Total salaries and employee benefits	**2,220,036**	**2,117,824**

(in euros)

In 2015 the Organization had the benefit of seconded staff from the Securities and Exchange Commission of Bangladesh (BSEC), the China Securities Regulatory Commission (CSRC), the Bundesanstalt für Finanzdienstleistungsaufsicht of Germany (BaFin), the Commissione Nazionale per le Società e la Borsa of Italy (CONSOB), the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), the Securities and Exchange Commission of Nigeria (NSEC), Capital Market Authority of Saudi Arabia (CMA) and the Financial Conduct Authority of United Kingdom (FCA).

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 offset in the Statement of Comprehensive Income. Consequently, the net difference between revenue and subsidized costs arising from social security adjustment is recognized on a net basis in the income statement under the "Salaries and employee benefits – Other social benefits" account, as shown in the chart below:

	2015	2014
Revenue associated to the Secondment Program	495,930	566,757
Subsidized expenditure associated to the Secondment Program	(489,099)	(571,574)
Net as at December 31, 2015	**(6,831)**	**(4,817)**

(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 and employees benefits – Other social benefits" account, related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to € 50,312 (€ 33,438 for the year 2014).

There are two secondees 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 have 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: 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 diversifying funding sources for the PIOB, the IOSCO Executive Committee decided in October 2011 to provide the PIOB a direct financial contribution of one hundred thousand euros per year, starting in 2013.

IOSCO has contributed €100,000 to the PIOB in 2015 and 2014, each.

6 Cash and Term Deposits

Cash is held in current bank accounts or bank term deposits denominated in euros in Caixabank, Banco Santander, and BBVA, all 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 2015 and 2014 are shown in the charts below:

				2015	
Counterparty (in euros)	Currency	Contract date	Maturity date	Annualized interest rate	Amounts
Banco Santander*	Euro	10/01/2014	10/02/2016	0.541%	500,000
Banco Santander*	Euro	14/01/2014	14/02/2016	0.541%	500,000
Banco Santander*	Euro	17/01/2014	17/02/2016	0.541%	500,000
Banco Santander*	Euro	20/01/2014	20/02/2016	0.541%	500,000
Banco Santander*	Euro	01/02/2014	01/03/2016	0.541%	500,000
Banco Santander*	Euro	07/02/2014	07/03/2016	0.541%	500,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
BBVA	Euro	08/06/2015	07/06/2016	0.250%	250,000
Total as at December 31, 2015					**4,000,000**

(*) Term deposits with quarterly liquidity windows

Counterparty (in euros)	Currency	Contract date	Maturity date	2014 Annualized interest rate	Amounts
Banco Santander*	Euro	10/01/2014	10/02/2016	0.89%	500,000
Banco Santander*	Euro	14/01/2014	14/02/2016	0.89%	500,000
Banco Santander*	Euro	17/01/2014	17/02/2016	0.89%	500,000
Banco Santander*	Euro	20/01/2014	20/02/2016	0.89%	500,000
Banco Santander*	Euro	01/02/2014	01/03/2016	0.89%	500,000
Banco Santander*	Euro	07/02/2014	07/03/2016	0.79%	500,000
Total as at December 31, 2014					**3,000,000**

(*) Term deposits with quarterly liquidity windows.

7 Capital Assets

	Vehicles	Furniture and fixtures	Computer equipment	2015 Total
At the lower of recoverable value and cost				
Balance, beginning of year	37,561	104,599	621,049	763,209
Additions	-	-	11,086	11,086
Disposals	-	-	(6,103)	(6,103)
Balance, end of year	37,561	104,599	626,032	768,192
Accumulated depreciation				
Balance, beginning of year	(4,695)	(52,833)	(595,439)	(652,967)
Depreciation	(9,390)	(16,062)	(14,961)	(40,413)
Disposals		-	6,103	6,103
Balance, end of year	(14,085)	(68,895)	(604,297)	(687,277)
Net as at December 31, 2014	**23,476**	**35,704**	**21,735**	**80,915**

(in euros)

	Vehicles	Furniture and fixtures	Computer equipment	2014 Total
At the lower of recoverable value and cost				
Balance, beginning of year	-	59,485	608,166	667,651
Additions	37,561	45,114	12,882	95,557
Disposals	-	-	-	-
Balance, end of year	37,561	104,599	621,048	763,208
Accumulated depreciation				
Balance, beginning of year	-	(39,222)	(574,430)	(613,652)
Depreciation	(4,696)	(13,611)	(21,009)	(39,316)
Disposals	-	-	-	-
Balance, end of year	(4,696)	(52,833)	(595,439)	(652,968)
Net as at December 31, 2014	**32,865**	**51,766**	**25,609**	**110,240**

(in euros)

8 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2015	2014
Secondment Program contributions (see Note 4)	38,758	39,855
Other	11,711	19,320
Total Accounts receivable	**50,469**	**59,175**

(in euros)

b) Accounts payable and accrued liabilities

	2015	2014
Professional services	88,730	39,777
Occupancy	65,000	70,000
Spanish Taxes (employee’s income tax withheld) and Social Security	96,221	106,985
Contractual staff commitments	105,979	54,000
Travelling	61,245	40,464
Other	28,005	51,117
Total Accounts payable and accrued liabilities	**445,180**	**362,343**

(in euros)

9 Prepaid expenses

Prepaid expenses comprise advance payments in the reporting period relating to services that will be rendered in subsequent periods. They are carried in the balance sheet until the service is rendered and expenses are recognized in the income statement.

Detail of prepaid expenses at 31 December 2015 and 2014 is as follows:

	2015	2014
Travel booked in advance for subsequent periods	80,941	52,239
Total Prepaid expenses	**80,941**	**52,239**

(in euros)

10 Information Included in the Statement of Cash Flows

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

	2015	2014
Accounts receivable	8,706	(40,394)
Prepaid expenses	(28,702)	(13,321)
Accounts payable and accrued liabilities	82,837	54,873
Contributions received in advance	255,187	20,630
Increases (decreases) in working capital	**318,028**	**21,788**

(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 costs (electricity, water, elevator maintenance, etc), which are agreed with CNMV on a yearly basis. The estimated revenue in kind associated to the 56% share to use free of charge of the 12 Oquendo premises is of € 216,349.

Finally, the agreement between CNMV and IOSCO set out that the CNMV will be responsible for meeting the structural 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 € 64,154 for 2015 (€ 67,642 in 2014).

13 Rental and Maintenance

	2015	2014
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	65,000	70,000
Other external maintenance services	22,869	18,047
Total rental and maintenance	**87,869**	**88,047**

(in euros)

14 2015 Capacity Building Program

The IOSCO Board approved at its June 2014 meeting a "pilot program" for additional capacity building activities to be carried out by the General Secretariat. These activities included the creation of an Online Toolkit and the organization of two additional regional training seminars. These capacity building activities for IOSCO members are in addition to the long-standing and on-going IOSCO education and training activities. The Online Toolkit included, at this initial stage, two modules, on Risk Based Supervision and Enforcement. The two additional regional seminars were focused on the same topics. The IOSCO Presidents Committee ratified this agreement in its resolution 2/2014.

The IOSCO Board also agreed that the "pilot program" would be funded by one time-off contributions of € 15,000 from nominated members to the IOSCO Board, paid in 2015 as a supplement to their 2015 annual membership contribution fees.

A total of € 240,000 have been received in 2015 from 16 nominated Board members.

The total costs incurred in 2015 to support and develop the 2015 Capacity Building Program have been € 43,795 (no costs incurred in 2014 for this concept). These costs correspond primarily to the professional consulting fees for the development of the materials for the Online Toolkit components.

The remainder of € 196,205 has been recognized as contributions received in advance from members (see note 3).

15 Auditors´ remuneration

The total remuneration paid by IOSCO to its auditors is € 9,000 for 2015 and 2014, each.

16 Subsequent Events

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