



Report from the Chair of the IOSCO Board

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Change is a permanent feature of financial markets. Technological innovation, new business models, and cross-border market connectivity present significant opportunities for financial markets, but they also give rise to new risks that must be managed. The challenges ahead cut across all financial sectors.

As Chair of the IOSCO Board, my objective is to enhance the relevance of IOSCO's work to its wider membership, promote better interaction between members from emerging and developed markets, and to enhance the relationship between IOSCO and the Financial Stability Board (FSB) based on a better understanding of our different perspectives on market risks and investor protection.

I also want to ensure that IOSCO Board meetings continue to prioritize discussion of substantive market issues over internal process matters. To achieve these goals, IOSCO relies heavily on the expertise of our members and effective coordination by the General Secretariat.

I believe that IOSCO has accomplished some, but not all of these objectives. Much remains work in progress.

Board and other organizational matters

IOSCO has introduced measures to enable the Board to spend the vast majority of its time on matters of substance for the wider IOSCO membership. The work of policy committees is now more closely aligned with Board priorities. I am pleased to report that the Board spends more time on topics that are of direct relevance to the front-line work of IOSCO members and their respective organizations.

The Board now sets priorities that are subject to annual review and adopts a bottom-up and top-down approach to identify these priorities. The roles and responsibilities of IOSCO policy committee Chairs and Vice Chairs, as well as expectations of policy committee members, have also been clarified.

All Board meetings save for that at the Annual Conference are now held at IOSCO headquarters in Madrid, as are many policy committee meetings. This has increased overall efficiency and lowered IOSCO Secretariat costs.

We also have shortened Board meetings to a maximum of one and a half days. Steps have been taken to streamline the IOSCO Annual Conference to reduce redundant reporting and updates, reduce the time commitment of principals and heads of delegation and, crucially, to enhance interactions between Board members and the broader membership. The Board has formally agreed to discontinue industry sponsorship for IOSCO events to avoid any perception of conflicts of interest.

IOSCO has continued its effort to reduce the large number of work streams, although this remains a challenge. IOSCO should continue to focus on fewer but more important areas. By doing this, we can better deploy and coordinate members' market expertise



and scarce resources on work that is timely, forward-looking, and relevant.

Growth and emerging markets

IOSCO continued to place importance on inclusiveness by drawing on the expertise of its Growth and Emerging Markets Committee (GEMC) and the Affiliate Members Consultative Committee (AMCC).

The first IOSCO Regional Capacity Building Hub opened in Malaysia last year. For the first time, IOSCO has established a presence outside its Madrid headquarters, which will significantly strengthen IOSCO's capacity building efforts through a wide range of training activities and programs, particularly for members from growth and emerging markets in the Asia Pacific and other regions.

The Assessment Committee process has been revised to be of greater utility to a larger number of GEM members. In January 2018, the committee conducted a three-day workshop on '*Capacity Building for Self-Assessments*' to promote the implementation of IOSCO Principles and Standards.

The first IOSCO World Investor Week was a great success in promoting financial literacy and fostering learning opportunities for investors. This event was supported and endorsed by the G20, the World Bank, the International Forum for Investor Education (IFIE), the Inter-American Development Bank (IDB), the Organisation for Economic Co-operation and Development (OECD), and the International Network of Financial Services Ombudsman Schemes. The Board has decided to hold this membership-wide event annually.



By revising the format for the Presidents Committee meeting, we are starting to convert the Annual Conference into a more inclusive Annual Meeting of the IOSCO membership. The revised format and content is intended to make the Presidents Committee meeting more substantive and to encourage a broad range of members to participate actively in the discussions.

Financial Stability Board (FSB)

IOSCO continues to work closely with the FSB on areas of mutual interest. I have attempted to ensure that the perspective of securities regulators is understood within the FSB via IOSCO's representation at FSB Plenary and FSB Steering Committee meetings.

A notable example was our early and substantial discussions with the FSB while it was formulating its initial policy recommendations on structural vulnerabilities in asset management, after which IOSCO finalized and published its own recommendations. We have been closely involved in discussions on emerging risks, such as those arising from crypto-assets, and with the FSB's work on evaluating the effects of reforms.

CPMI-IOSCO

We continued to be heavily involved in this important work which deals with the post-crisis OTC Derivatives reforms. I co-chair the CPMI-IOSCO Steering Group with Benoit Coeuré of CPMI (the Committee on Payments and Market Infrastructures).

EMMoU

IOSCO's adoption of the Enhanced Multilateral Memorandum of Understanding (EMMoU) in March 2017 boosted the ability of its members to keep pace with market developments and enhance information sharing and cooperation. The EMMoU includes additional powers to help members improve cross-border enforcement and information exchange, such as the ability to obtain and share existing internet service provider records and telephone records.

By the end of 2017, twelve jurisdictions had applied to be signatories to the EMMoU, and more applications were under review.

The above only skims the surface of the significant policy areas and activities where IOSCO has an important role. IOSCO policy committees and other working groups, supported by a dedicated Secretariat, have all contributed considerable time and effort to projects

ranging from asset management recommendations, the establishment of networks to pool experiences with ICOs and data analytics, retail OTC products, leverage in funds, volatility controls in exchange markets, and bond market liquidity. And this is only a sample of IOSCO work.

Going forward

I believe that IOSCO needs to continue to work hard to (i) be recognized, without question, as the fulcrum for its members to properly identify and interact on those matters that are especially suited to an international approach and (ii) provide a valuable service to developing markets, both large and small, that wish to embed the IOSCO Principles domestically.

The FSB, the IMF, and others have recognized that post-crisis reforms and financial policies have increased the importance of market-based finance relative to bank credit markets. There is a commonly held view that *"we've focussed only on the banks and dumped risk into markets"* (a quote from an FT article on 4 May 2018).

Consequently, IOSCO should continue to coordinate work on matters such as crypto-assets and data analytics and lead on issues to do with the intersection between data protection and cross-border regulation. It should focus on risks arising from links between the banking sector and capital markets and more broadly act a forum for its members to address the rapid evolution of data-centric financial services operating outside traditional formats.

We will also need to address concerns about the availability of market liquidity in a crisis – which seems to have displaced leverage as a financial stability priority among many policy makers. There is also a growing dialogue about cross-border *recognition* and *deference* which, while politically sensitive, goes to the heart of our ability to cooperate, mitigate cross-border risks and minimize market fragmentation.

To move forward, we will need to refresh and update our work and review how the IOSCO Secretariat can contribute further to support the Board, our member-led policy committees, our task forces, and working groups consistently and clearly, amid an ever-changing environment.

I want to thank all IOSCO members for your continued support of our efforts to further IOSCO's objectives in areas that impact and are relevant to market regulators, standard setters, and financial markets.