



Report from the Chair of the IOSCO Board

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I am pleased to report that we have made extremely good progress across all major work streams over the past year, as summarized in the Secretary General's report on pages 16 to 19.

Priority setting

The major innovation for 2018 was the Board's decision to adopt a more effective priority-setting process to identify the areas where IOSCO would concentrate its efforts and resources each year. IOSCO now establishes these priorities based on the risks and trends set out in an annual Risk Outlook report, compiled by its Committee on Emerging Risks (CER). The CER gathers input from all IOSCO policy committees (and its four regional committees and the private sector organizations represented in IOSCO's Affiliate Members Consultative Committee (AMCC)) to produce a Risk Outlook for discussion at the last Board meeting of every year.

Board members are then expected to agree on the priorities for the following year, which form the basis for a detailed work plan. IOSCO also decided to issue a concise version of its internal work plan to the public each year, the first of which was issued in March 2019.

In 2018, improved transparency around priority-setting enabled all IOSCO stakeholders – whether in the public or private sector – to better contribute to IOSCO's policy output. It also helped ensure that most discussions within the IOSCO Board were devoted to substantive, difficult issues affecting global markets and were of real and pressing concern to members – rather than organizational and other internal matters that can usually be dealt with via other means.

This new approach helps ensure that IOSCO's annual work plan is of relevance to its very diverse membership, thereby encouraging more interaction between regulators from emerging and developed markets.

IOSCO Board and other organizational matters

In 2019, IOSCO adopted a radically different format for the annual meeting of all members, known as the Presidents Committee. This takes place as part of each IOSCO Annual Meeting. For many years, the President's Committee has offered the sole opportunity for the entire membership to gather in one place, but was largely formulaic, with barely any interactive discussions or input from the floor. I wanted to convert this meeting into a *town hall* format, where the entire membership would have the opportunity to hear from, and direct questions to, the Board leadership and, crucially, the leaders of IOSCO's policy committees. Members would also have an opportunity to voice their opinions on what additional value IOSCO could provide to them, ranging from standard setting to capacity building.

The first meeting adopting this new format took place in Sydney in May 2019 and was very well received; IOSCO members took full advantage of the opportunity to openly debate crucial aspects of IOSCO's priority work. Discussions covered a wide range of issues, from crypto assets, fintech and sustainability to data privacy, asset management and retail distribution

and digitalization. We will adopt the same interactive approach at all future annual meetings.

Separately, recommendations made by a Board-level working group to better define the role and responsibilities of the IOSCO Secretary General were adopted earlier this year, further enhancing IOSCO governance. This was followed by an exercise to more precisely describe how the staff of the General Secretariat are deployed to provide essential support to all IOSCO work streams. This enables the Board and all policy committees to have a complete overview of how resources and expertise will be allocated across the projects set out in the annual workplan.

Since 2017, all Board meetings (save for that held at each IOSCO Annual Meeting) have been held at IOSCO headquarters in Madrid, as are many policy committee meetings. This has resulted in significant efficiency gains and lower costs for the IOSCO Secretariat.

Growth and emerging markets

The Growth and Emerging Markets (GEM) Committee has continued to focus on topics such as fintech, financial inclusion and capacity building and is to be congratulated for issuing its wide-ranging report on Sustainable Finance in June 2019. I would especially like to thank Ranjit Ajit Singh, who led the GEM Committee from 2013 to 2018, for his unstinting commitment to ensuring that the emerging market voice was heard clearly by the broader IOSCO membership. His wise counsel will be missed. Ranjit stepped down in October 2018 when he retired as Chair of the Malaysia Securities Commission and is ably succeeded by Dr. Obaid Al-Zaabi, Chief Executive Officer of the UAE Securities and Commodities Authority.

World Investor Week

On the investor protection front, following the success of the pilot World Investor Week (WIW) in 2017 and the second WIW campaign in 2018, the WIW will now be a permanent IOSCO workstream to promote and disseminate key messages about investor education, investor protection and financial literacy worldwide.

Assessment Committee

The Assessment Committee (AC) process has been revised to be of more value to a larger number of IOSCO members. In 2018, the AC introduced workshops on *Capacity Building for Self-Assessments* to help members use the IOSCO Assessment Methodology to implement the IOSCO Principles and Standards more effectively in their jurisdictions. The process requires fewer resources by encouraging a broad cross section of

the IOSCO membership to undertake disciplined self-assessments. The AC has also been considering ways to simplify the text of the methodology for members and assessors. IOSCO considers these changes to be particularly beneficial to regulators in growth and emerging markets.

IOSCO MMoU

In October 2016, an IOSCO Board Sub-group on Data Protection (Sub-group), led by Maureen Jensen, Chair of the Ontario Securities Commission, was formed to explore ways to ensure that EU and non-EU securities market regulators could continue to share information for enforcement purposes under the IOSCO MMoU,¹ notwithstanding the new personal data protection rules to be introduced in the EU under the EU General Data Protection Regulation (GDPR).

I am very pleased to say that, following prolonged but constructive negotiations between EU authorities and the sub-group, a ground-breaking arrangement was agreed in February 2019 that enables cross-border exchanges of enforcement information to continue with EU regulators in a manner that is consistent with the GDPR.

The G20 and the Financial Stability Board (FSB)

I have made a special effort to ensure that attendees at the Financial Stability Board (FSB) Plenary and FSB Steering Committee meetings have a thorough understanding of the perspectives and remit of securities regulators. This includes explaining IOSCO's approach to taking forward the FSB's recommendations to address structural vulnerabilities in investment funds (arising from potential liquidity and redemption mismatches), as well as our current work on consistent measures of leverage in funds. Continued engagement with the FSB will remain a priority given its increased focus on financial stability risks in market-based finance and on technology in financial services.

For the 2018 – 2019 G20 agenda, the Japanese G20 Presidency identified risks arising from market fragmentation (in particular, fragmented markets that may be the unintended consequence of post-crisis regulation) and concerns about crypto assets, as areas of special focus. IOSCO moved rapidly to address both topics in 2019.

¹The IOSCO MMoU (the Multilateral Memorandum of Understanding) is a crucial mechanism through which more than 120 securities regulators obtain and exchange information across jurisdictional borders for enforcement purposes.



First, IOSCO's Follow Up Group (FUG) published a final report on Market Fragmentation in June 2019. This took as its starting point the report by IOSCO's Cross-Border Task Force issued in 2015. The Board will consider later in 2019 whether it should conduct further work, including on the difficult and politically sensitive topic of *deference*. This refers to methods by which regulators may decide to rely on each other to address risks arising in cross-border financial markets, thereby avoiding conflicting or duplicative regulation.

Second, IOSCO's Committee 2 on the Regulation of Secondary Markets published a consultation report on Crypto Asset Trading Platforms in May 2019, proposing a set of key considerations and a regulatory toolbox for those members whose remit extends to this sector. I had the opportunity to present both reports at the G20 Finance Ministers and Central Bank Governors meeting in June 2019. Both received a strong endorsement.

CPMI-IOSCO

I co-chair the CPMI-IOSCO Steering Group with Benoît Cœuré, who is also Chair of the Committee on Payments and Market Infrastructures (CPMI).

The work of CPMI-IOSCO goes to the heart of the transformative regulatory reforms introduced in OTC derivatives markets in response to the 2008 financial crisis. In 2018, CPMI-IOSCO continued to pursue vital policy work to ensure that those reforms are implemented properly. Its recent efforts have concentrated on the safety and soundness of central counterparties (through which a large volume of OTC derivatives is now cleared), as well as on new governance arrangements and protocols to standardize the data relating to OTC derivative trading being reported to trade repositories. This enables regulators to better detect any unusual build-up of risks or indications of misconduct in this formerly opaque market.



The Future

IOSCO will continue to coordinate work on subjects such as crypto assets and data analytics, lead on the important intersection between data protection and capital markets regulation, focus on risks arising from connections between the banking sector and capital markets and, more broadly, act as a forum to address the rapid evolution of data-centric financial services operating outside traditional formats. The need for regulators to adapt to the growing role of technology in financial services undoubtedly will dominate our future work. The priorities in our first published annual work plan are a testament to this.

IOSCO also needs to get ahead of and inform the broader discussions among Central Banks and Finance Ministries about new, perceived financial stability, systemic or prudential risks in market-based finance

and the potential responses to those risks. The Secretariat has been tasked to explore options for IOSCO to do more in this area.

And of course, this overview is only scraping the surface of our work; this annual report and the first annual work plan set out the full extent of an ambitious program of future projects.

IOSCO is a member-driven organization and therefore relies heavily on the contribution from, and expertise of, its members – particularly for its policy committees, working groups, task forces and networks. It also depends on the vital support provided by its General Secretariat based in Madrid. I would therefore like to thank all IOSCO members as well as the staff of the General Secretariat for your unflagging support and commitment to IOSCO's ambitious work program.