



## Report from the Chair of the Growth and Emerging Markets (GEM) Committee

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- > Chair of the Growth and Emerging Markets Committee
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It is my pleasure to present this year's report of the Growth and Emerging Markets Committee. I succeeded Ranjit Ajit Singh of Malaysia as GEM Committee Chair in December 2018, after serving as Vice Chair. Under Mr. Singh, the GEM Committee undertook ambitious projects in sustainable finance, cybersecurity and regulatory capacity building. This work enabled members from growth and emerging market jurisdictions to provide the IOSCO Board with unique insight into these and other pressing issues.

### Enhancing GEM Regulatory Capabilities

In 2018, the GEM Committee concentrated on strengthening the regulatory capacity of its members and enhancing their ability to respond to major developments in global financial markets, such as new technologies and cyber risks. Members also examined other financial trends and developments that could impact global securities markets in growth and emerging markets, including the rise of crypto assets, artificial intelligence and machine learning, disintermediation and digitalization. These topics are also priorities for the IOSCO Board.

#### Cybersecurity

In April 2018, the GEM Committee issued an internal Guidance Note on *Cybersecurity for Regulators in Emerging Markets*, based on its findings at the GEM Regulatory Cyber Workshops held in Indonesia in January 2016 and Sri Lanka in September 2017. The note expands the regulatory capabilities and expertise of GEM Committee members regarding cybersecurity. This guidance was the first developed for securities regulators globally, with measures relating to governance frameworks and mechanisms and controls in this area. It

also offers guidance to members in detecting, responding to, and recovering from, cyber threats or attacks.

Additionally, the Guidance Note discusses approaches for enhancing international collaboration and information sharing as well as strengthening the regulatory capabilities of members in this area. It provides a basis for emerging market regulators to develop their own domestic cybersecurity policies.

Overall, this work supports IOSCO's efforts to address cybersecurity, which is one of the most significant challenges facing capital markets and the global financial system today.

#### Workshop on Derivatives Reform

The GEM Committee organized a Workshop on Derivatives Reform at its Annual Meeting in the Cayman Islands in September 2018. The workshop was conducted in collaboration with the International Swaps and Dealers Association (ISDA). During this event, participants analyzed the market implications of LIBOR's cessation, the recognition of trading venues and implementation of margin requirements for non-centrally cleared derivatives.



### IOSCO Data Sharing Platform

In March 2018, the GEM Committee launched Phase I of its Data Sharing Platform, an online tool that provides practical support to its members. The platform encourages members to share experiences and expertise related to operational data and practices, market data and legal and regulatory frameworks, among other subjects.

At its Annual Meeting in the Cayman Islands in September 2018, the GEM Committee unveiled Phase 2 of the platform. This phase entails additional and more sophisticated functionalities that allow users to view data on a map, build charts and compare the results of different jurisdictions. The platform is operational and gives a bird's eye view of the functions and capital market overview under the respective emerging market member jurisdictions

### Sustainable Finance

In recent years, the GEM Committee has been at the forefront of IOSCO's policy work on sustainable finance. In February 2017, the IOSCO Board agreed that one of its Focus Areas for 2017-2018 would address

*“analyzing the role of securities markets in capital-raising and sustainability issues, and the related role of securities regulation.”* In line with the Board Focus Area, the GEMC agreed to review the key issues and challenges for developing sustainable capital markets and the role that securities regulators can play in this effort.

To inform its work, the GEM Committee created a specialized working group in 2017 to survey members on the approaches and initiatives they use to facilitate sustainable finance in their jurisdictions. In July 2018, it organized a dialogue with regulators and stakeholders on *Sustainable Financing in Capital Markets* in London, which attracted 52 participants. In September of that year, the GEM Committee dedicated the public conference at its Annual Meeting to *Building Sustainable Capital Markets in a Digital Era*. It also organized a panel discussion on the challenges and opportunities of building sustainable capital markets.

The GEM Committee's efforts led to the publication of the report on *Sustainable finance in emerging markets and the role of securities regulators*, in 2019. This pioneering work proposed ten recommendations for emerging market member jurisdictions to consider when



issuing regulations or guidance regarding sustainable financial instruments and additional disclosure requirements of ESG-specific risks. The report seeks to help securities regulators understand and address the issues and challenges around the development of sustainable finance as a driver of economic growth in emerging market jurisdictions.

The GEMC work complements IOSCO's work on sustainability, such as the IOSCO Sustainable Finance Network and IOSCO's Statement on Disclosure of ESG Matters by Issuers, issued in January 2019.

### **GEMC Annual Meeting**

The Cayman Monetary Authority hosted the committee's Annual Meeting on 19 and 20 September 2018. As noted, the public conference focused on sustainable markets. Other panels at the meeting covered the risks

and regulatory implications of initial coin offerings, crypto currencies and the impact of passive investing on emerging markets. The GEM Steering Committee held its meeting on 20 September. Participants shared their experiences addressing issues in some GEM jurisdictions following a bout of debt and currency turmoil that impacted members' respective markets. The GEM Committee Plenary meeting followed later in the day. Members discussed sustainable finance, emerging risks and trends in GEM jurisdictions. They also reviewed initiatives to strengthen cooperation among regulators, including the launch of Phase II of the Data Sharing Platform and other capacity building activities.

Before closing, I would like to thank Ranjit Ajit Singh for his years of dedication to the GEM Committee. Our work in 2018 on sustainable finance and cybersecurity is a testament to his foresight and



commitment. Under my leadership, the GEM Committee will continue to serve its members while contributing valuable input to Board discussions on issues of interest to securities markets and regulators around the world.

promoting relevant market based responses to these issues. The Conference also discussed key factors impacting liquidity in emerging markets, as well as the effectiveness of measures in improving liquidity. Another important theme related to Fintech in capital markets is how emerging markets can leverage on innovative technology while ensuring robust regulatory frameworks.

This was the first time that the GEM Annual Meeting and Conference were held back to back with a regional committee meeting, in this instance the Asia-Pacific Regional Committee meeting. The events

brought together regulators from both emerging and developed markets, allowing for greater engagement and collaboration among the members. Future GEM Committee Annual Meetings are expected to be held back to back with other regional committee meetings. We look forward to having the next GEM Annual Committee Meeting and Conference in conjunction with the Inter-American Regional Committee Meeting in September 2018.

Finally, I would like to express my appreciation to the GEM Vice Chairs, Marcos Ayerra and Paul Muthaura, and members of the GEM Steering Committee for their contribution. I would also like to acknowledge the contribution of the IOSCO Secretary General and the GEM team at the General Secretariat. I look forward to GEM members actively participating in our work to continue the Committee's efforts and advance its important agenda.