



Report from the IOSCO Secretary General

Mr. Paul Andrews
> IOSCO Secretary General

Dear Colleagues,

While 2019 was an important year for IOSCO on all aspects of our work, including on our policy initiatives, capacity building (where we carried out our most robust effort ever), implementation monitoring and identification of risks, I wanted to focus my letter this year on a few key items that demonstrate how IOSCO has taken the lead on several important issues for global capital markets.

First, I am proud to say that 2019 marked the first time that IOSCO has produced and distributed an annual work program to the membership and the larger stakeholder community. The program was based on the prioritization by the Board using the Risk Outlook prepared by our Committee on Emerging Risks. This initiative was aimed at making IOSCO more transparent about its priorities and deliverables and also more accountable to its members and other stakeholders. The annual work program will help IOSCO maintain its focus on the core issues affecting the membership.

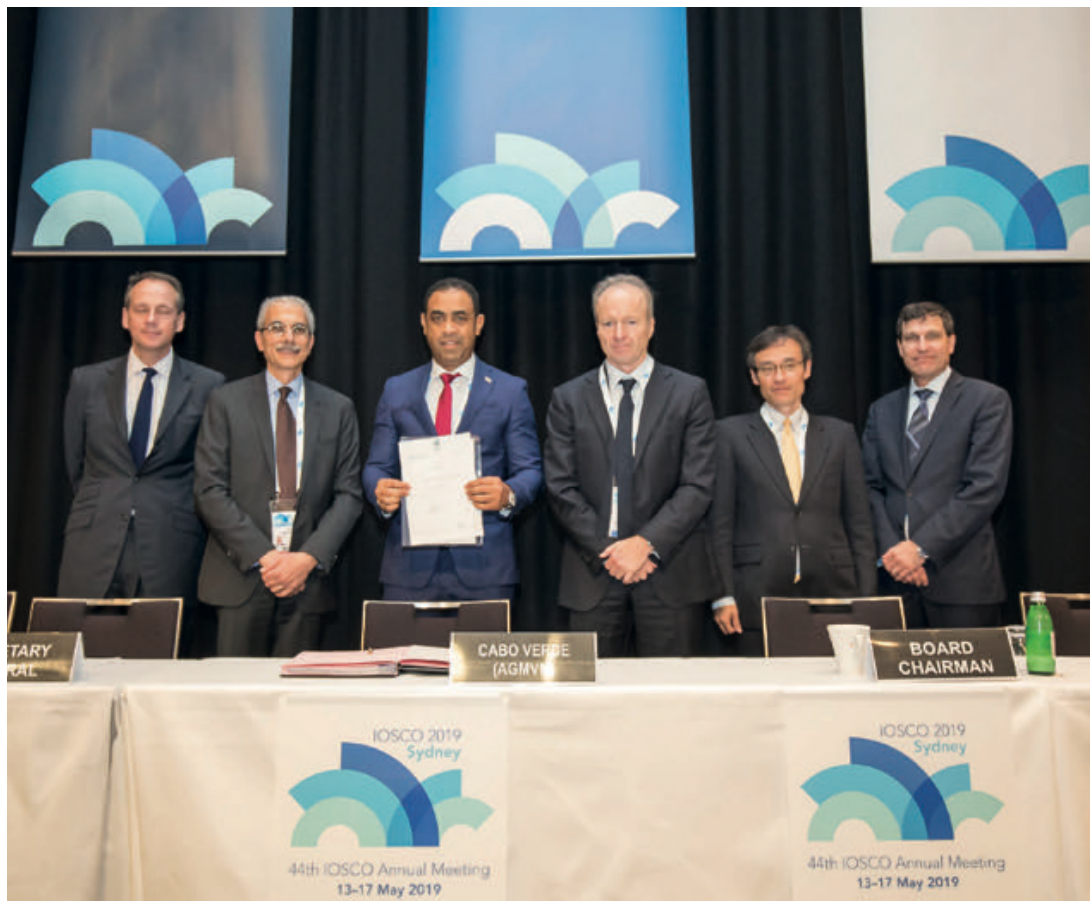
Second, during the year, IOSCO made important strides in addressing matters relating to sustainable finance. In June, our Growth and Emerging Markets Committee issued a report on sustainable finance in emerging markets and the role of securities regulators, which provides ten recommendations for emerging market member jurisdictions to consider when issuing regulations or guidance regarding sustainable financial instruments. At the same time, IOSCO's Sustainable Finance Network continued to examine key issues that involve multiple and diverse sustainability frameworks and standards, including sustainability-related disclosure, a lack of common definitions of sustainable activities, and

greenwashing and other challenges to investor protection. Work will continue in 2020 on these important points.

Third, together with ESMA -- the European Securities and Markets Authority -- IOSCO secured an opinion from the European Data Protection Board (EDPB) on an administrative arrangement for the transfer of personal data between European Economic Area (EEA) Financial Supervisory Authorities and non-EEA Financial Supervisory Authorities in order to comply with the European General Data Protection Regulation (GDPR). The EDPB Opinion was the first of its kind under the GDPR and will enable the continued exchange of enforcement and supervisory information between securities regulators, including under the IOSCO Multilateral MoU and Enhanced MMoU, to promote orderly markets and protect investors, while providing the protection of personal data.

Fourth, we took a leadership role in examining various stablecoin initiatives with a potential global reach and how securities market regulation may apply to these initiatives. While the Board acknowledged that stablecoins can potentially offer benefits to market participants, consumers and investors, it is also keenly aware of potential risks in a number of areas, including consumer protection, market





integrity, transparency, conflicts of interest and financial crime, as well as potential systemic risks. As a result, in 2019, IOSCO produced an assessment of how IOSCO Principles and Standards could apply to global stablecoin initiatives. The detailed assessment concluded that a case-by-case approach is needed to establish which IOSCO Principles and Standards, and national regulatory regimes, would apply. A detailed understanding of how each proposed stablecoin is expected to operate is therefore needed, including the rights and obligations it confers on participants and the continuing obligations of the sponsor. This was the first such analysis of its kind.

Fifth, IOSCO took some important steps on the issue of harmful and unintended market fragmentation. Not only did the Board identify this issue as a key matter in its own right, but we also contributed to the discussion as part of the Japanese G20 Presidency. Thus, in June 2019, IOSCO published a report that examines instances of regulatory-driven fragmentation in wholesale securities and derivatives markets and considered what actions regulators can take to minimize its adverse effects. It provides examples of market fragmentation that IOSCO members consider to be significant and potentially harmful to the oversight and supervision of financial markets. The report proposes potential measures that IOSCO and relevant national authorities could explore to mitigate the risk, and potential adverse effects, of fragmentation on

global securities markets. These measures include ways to foster further mutual understanding of one another's legislative frameworks, deepen existing regulatory and supervisory cooperation and consider whether there are any good practices that can be identified regarding deference tools.

Finally, late in the year, IOSCO issued some important recommendations on measuring leverage in investment funds. With these recommendations, IOSCO developed the first comprehensive approach to monitoring leverage across all types of investment funds globally. And, we provided a framework to help regulators assess leverage-related risks that can undermine the efficient functioning of markets. The framework we proposed comprises a two-step process designed to achieve a meaningful and consistent assessment of leverage-related risks of a fund or group of funds. The recommendations aim to achieve a balance between precise leverage measures and simple, robust metrics that regulators can apply consistently to the wide range of funds offered in different jurisdictions.

So, as you can see, 2019 was an important year for IOSCO. We have firmly established the organization as a thought-leader on key issues and, in 2020, we will carry out further work on several of the matters I mentioned above. I look forward to updating you in my letter in next year's annual report.

