

IOSCO Capacity Building

In 2019, IOSCO continued its intensive work to meet the capacity building needs of its members, particularly those from emerging market jurisdictions. By strengthening the regulatory and supervisory proficiency of its members, IOSCO aims to ensure their ability to implement globally agreed standards and maintain robust securities markets that serve as drivers of sustained economic growth.

IOSCO surveys its members on a regular basis to identify their capacity building needs and fashion its programs around member preferences. The 2019 capacity building survey reflected a strong interest among members in training on Fintech, supervision, regulation, risk management of both macroprudential and operational risks, including cyber risk, financial market infrastructures, sustainable finance, regulation and supervision of investment funds, and market abuse and misconduct. The survey also indicated a keen interest on the part of members to enhance their understanding of IOSCO's core principles, particularly the *Principles on Secondary Markets*, *Principles on Enforcement of Securities Regulation* and the *Principles for Financial Market Infrastructures*.

In 2019, IOSCO offered its members a choice of training seminars at the IOSCO Asia-Pacific Hub in Kuala Lumpur and a host of education and training events organized by the IOSCO General Secretariat, the Growth and Emerging Markets Committee and the Affiliate Members Consultative Committee.

Education and Training Programs

IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets

In 2016, IOSCO joined forces with the Program on International Financial Systems at Harvard Law School to launch the first edition of the *Global Certificate Program for Regulators of Securities Markets*, an executive education program tailored exclusively to the needs and circumstances of securities markets regulators.

The initiative is divided into two phases: a two-week session at IOSCO's Madrid headquarters and a second one-week session at Harvard Law School in Cambridge,

Massachusetts. Speakers are experienced securities regulators, academics specialized in financial markets and others with extensive legal or technical knowledge of international financial systems.

In June 2019, some 90 members from 45 different jurisdictions attended Phase I in Madrid, which covered the fundamentals of securities regulation and compliance.

Phase II was conducted at Harvard Law School in Cambridge, Massachusetts on 9-13 December 2019 and focused on current and future regulatory challenges and emerging issues. Harvard academics, securities regulators and leading public policy makers taught the classes.

Since the program began four years ago, more than 370 IOSCO members have enrolled. By the end of 2019, about 175 members completed the full three-week program – including the required online learning material and modules of the IOSCO Capacity Building Online Toolkit – and earned a certificate.

IOSCO Seminar Training Programs (STP)

For over 20 years, IOSCO has organized an annual three to four-day seminar training program at its headquarters in Madrid. Designed for junior to mid-level securities regulators, the program typically focuses on topics that reflect the needs of members as identified in training needs analyses. Past training seminars have focused on *investment funds regulation and supervision; protecting investors through supervision, inspections and examinations*, and *investor education and protection*. In April 2019, some 75 members from 40 different jurisdictions attended the 21st STP on *Protecting the Retail Investor: A Securities Regulator Perspective*. Subject-matter experts discussed regulatory issues related to the retail securities markets, know-your

client, mis-selling, ethics, retail sales violations, best execution, oversight and supervision, retail distribution and digitalization, communication and behavioral insights, data analytics and investor protection, and education.

IOSCO Training Seminar on Financial Market Infrastructures (FMI)

In December 2019, IOSCO organized a training seminar in Madrid on the key characteristics of each FMI type, including Payments Systems, Central Counterparties, Central Securities Depositories, Securities Settlement Systems and Trade Repositories. The sessions included detailed presentations on FMIs and how the international standards – the CPMI-IOSCO Principles for Financial Market Infrastructures (PFMI) – apply to these categories. The training seminar was aimed at assisting IOSCO members in becoming familiar with the PFMI, increase their understanding and knowledge of the applicable principles for each FMI type and share their experiences on how securities market authorities and FMIs are moving forward in the implementation and observance of the PFMI, in both developed and emerging market jurisdictions.

Joint IOSCO-Financial Stability Institute (FSI) Conferences

Since 2006, IOSCO has organized an annual three-day training program with the Financial Stability Institute of the Bank for International Settlements. The program generally covers trading book issues, market infrastructures and other topics of common interest on a cross-sectoral basis. Securities regulators and bank supervisors are eligible to attend.

The 14th IOSCO/FSI Conference on Securities Trading Issues and Market Infrastructure was jointly hosted in November 2019 in Madrid. The program was attended by over 100 securities regulators and banking supervisors from 50 jurisdictions. It featured sessions on the interest rates benchmarks reforms, the fundamental review of the trading book by the BCBS, the work by the BCBS and IOSCO regarding margin requirements for non-centrally cleared derivatives, the work by the Committee on Payments and Market Infrastructures (CPMI) and IOSCO on financial market infrastructures, as well as matters regarding cyber resilience, digital innovations and cryptocurrencies, asset management, the legal entity identifier and market misconduct.





IOSCO AMCC Training Seminars

IOSCO's Affiliate Members Consultative Committee (AMCC) organizes an annual training seminar which is open to all IOSCO members. This seminar offers regulators and industry representatives the opportunity to exchange ideas and experiences and consider regulatory issues and events from different market perspectives.

More than 100 IOSCO members attended the 12th edition of the AMCC Training Seminar hosted by IOSCO in Madrid in December 2019. Regulators and market participants covered the following topics involving the implementation of IOSCO Principles: (1) Retail Investor Protection, (2) Operational Resilience and Cyber-Security, (3) Emerging Markets, Emerging Opportunities, (4) Derivatives Basics and Related Regulatory Frameworks, (5) Enforcement, (6) Fintech, (7) Benchmarks and (8) Ethics.



GEMC Regulatory Workshops

On a yearly basis, IOSCO's GEM Committee organizes a day of regulatory workshops on topics of interest to growth and emerging markets that often complement and support the work of the IOSCO Board.

At the 2019 Annual Conference in Sydney, the GEMC organized three regulatory workshops on *The future of financial benchmarks - Life beyond LIBOR*; *Are regulators agile enough in the face of rapidly evolving*

Fintech innovation? and *What is the role of securities regulators in sustainable finance?* Also, at the 2019 GEMC Conference in St. Petersburg, the committee organized a regulatory workshop on investor education.

Seminar/Workshop on AML/CFT Supervision for the Securities Sector

The Commission de Surveillance du Secteur Financier of Luxembourg (CSSF) hosted a Seminar/Workshop on AML/CFT (anti-money laundering and combating the

financing of terrorism) supervision for the securities sector in Luxembourg on 21-22 October. CSSF and IOSCO jointly organized the event, which was attended by approximately 50 participants from 50 jurisdictions. Presenters included the co-chairs for the project on the Financial Action Task Force's (FATF) Risk-Based Approach Guidance on the Securities Sector and experts from the CSSF, the US SEC, the FATF Secretariat and the IOSCO Secretariat. Participants also heard presentations from Europol on their experience with money laundering/terrorist financing (ML/TF) in the financial sector; from the LUX-Financial Intelligence Unit on Typologies of ML/TF in the securities sector; from the CSSF on Analytics in AML/CFT supervision (SupTech) and from the IOSCO Secretariat on international cooperation which is the cornerstone of cross-border AML/CFT enforcement in the securities sector.

IOSCO Asia-Pacific Hub

IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative allows IOSCO to deliver capacity building activities to securities markets regulators in the region and beyond.

Under the supervision of the IOSCO Secretary General, the Hub enables IOSCO to leverage on the experience, expertise and infrastructure of its membership to promote market development and enhance connectivity and inclusiveness in the Asia Pacific region. It also serves to strengthen the regulatory and supervisory capacity of the region's securities regulators.

In 2019, the Hub had an active year with a steady stream of programs comprising four workshops, one conference on Islamic finance and two webcasts – one on Fintech and one on investor education and protection in the asset management industry. The latter was organized in conjunction with IOSCO's World Investor Week 2019. In addition, the Hub live streamed a Fintech Conference held by SC Malaysia in Kuala Lumpur. The workshops covered key priorities and new and emerging topics relevant to securities regulators globally, such as crypto-assets, cyber-security and resilience, the MMoU/EMMoU on cooperation and exchange of information and onsite inspections. With almost 300 participants from over 40 jurisdictions, the programs enjoyed a high level of participation.

As an example of its activities, in November 2019, the Hub hosted the *IOSCO MMoU and EMMoU Workshop: A Guide on the efficient use of the MMoU/ EMMoU and pre-requisites for becoming an EMMoU signatory*.

Targeted at MMoU signatories and members who expect to sign the EMMoU, this three-day workshop focused on the practicalities of the MMoU (e.g., the handling of complex and sensitive requests) to provide guidance on the efficient use of the MMoU. The workshop also discussed in detail the pre-requisites of becoming an EMMoU signatory and covered the Administrative Arrangement for the transfer of personal data between European Economic Area (EEA) Financial Supervisory Authorities and non-EEA Financial Supervisory Authorities.

In June 2019, the Hub organized a two-day workshop on *Strengthening Cyber Security and Resilience*. This workshop sought to enhance the cyber resilience and incident response capabilities of regulators and financial entities to help mitigate exposure to cyber risks. The workshop included an overview of the cyber risk landscape in financial markets, key components to promote sound cyber practices, cyber threat intelligence and decision making, regulatory approaches to cyber risk management and supervision of cyber risks. The workshop also comprised an exercise that required participants to analyze their responses to cyber threats and identify areas for further improvement, including developing response and recovery strategies that can be implemented within their respective organizations.

In February 2019, the Hub organized a workshop on *Crypto-Assets: Trends, Challenges and Regulatory Implications*. Participants discussed the latest developments and regulatory implications of crypto-assets and blockchain in securities markets. Subject matter experts discussed the opportunities, risks and challenges that crypto-assets present, approaches adopted by securities regulators and the application of blockchain technology in financial markets.

Technical Assistance Program

IOSCO's Technical Assistance Program (TAP) is designed to provide modular technical assistance programs to help regulators implement IOSCO Principles and meet the requirements of the IOSCO MMoU.

The modules serve as the basis for delivering technical assistance programs that are tailored to members' needs. The TAP is organized in three modules covering onsite inspection manuals, enforcement manuals and the MMoU.

In addition to the modules, the TAP offers workshops on the practical application of the onsite inspection and enforcement manuals. The objective is to encourage



members to use the manuals in their daily activities to enhance the efficiency and effectiveness of supervision and enforcement in the participating jurisdictions. The IOSCO Asia-Pacific Hub hosted the first *Technical Assistance Workshop on Developing On-Site Inspection Manuals* for the Asia-Pacific Region in September 2019. This two-day Workshop discussed various regulatory approaches taken for on-site inspections, particularly on routine, for cause and thematic reviews, as well as steps to develop an inspection manual. Discussions covered methods for requesting information, conducting interviews and following up on inspection outcomes. It also delved into synergies between on-site inspections, off-site supervision and enforcement actions.

Module 1 – Onsite Inspection Manuals

Here, the aim is to develop manuals for IOSCO members in different regions to use during the on-site inspection process for the supervision of investment firms and asset managers. The manuals include, among other things, the templates and the steps for the inspection team to follow when preparing, performing and following-up on the onsite inspections. By the end of the program, each participating member completes an onsite inspection manual for its jurisdiction.

In 2019, IOSCO focused on six selected jurisdictions from the Inter-American Region (IARC) –The Bahamas, Barbados, Costa Rica, Dominican Republic, Panama and Trinidad and Tobago. The first onsite phase took place in Christ Church, Barbados in March 2019 and the second onsite phase was held in San José, Costa Rica the following May.

Module 2 – Enforcement Manuals

The objective of this module is to develop enforcement manuals for IOSCO members in different regions to use during the enforcement process in their specific jurisdictions. The manuals include detailed information about the approach to enforcement, conduct of investigations, investigative practices, cooperation, privileges and protection, and settlement.

In 2019, the program focused on five selected jurisdictions from the European Region – Albania, Armenia, Astana, Croatia, North Macedonia and Ukraine. The first onsite phase took place in Yerevan, Armenia in May 2019 and the second onsite phase was held in Skopje, North Macedonia the following October.

Module 3 – MMoU

Securities regulators around the globe use the IOSCO MMoU to address cross-border fraud and misconduct which can weaken global markets and undermine investor confidence. Established in May 2002, the MMoU sets out specific requirements for the exchange of information and provides a mechanism through which IOSCO members share essential investigative material.

Becoming a signatory to the IOSCO MMoU is a prerequisite to becoming an IOSCO ordinary member. But, becoming an MMoU signatory often proves to be a challenge for many members, particularly for emerging markets that may need expertise to propose needed legal reforms.

Responding to this need, IOSCO assists members in their efforts to sign the MMoU by guiding them through the process. In 2019, it provided assistance to Botswana, Cambodia and Paraguay.

Other Capacity Building Initiatives

The MMoU team of the IOSCO General Secretariat provides procedural guidance to non-signatories of the IOSCO MMoU and encourages them to move forward with their applications as soon as possible. The MMoU team contacts those who have made little or no progress over time and suggests that members subject themselves to a preliminary assessment process or seek political support from the General Secretariat for the enactment of their new legislation. As an example, Sugeval in Costa Rica sought this type of support in 2019 and has now changed its law and reapplied to become a signatory to the MMoU.

IOSCO also offers the following programs, assistance and other capacity building tools:

- > *Technical Assistance for members and non-members*
- > *Data Sharing Platform*
- > *Capacity Building Online Toolkit*
- > *Capacity Building for Self-Assessments*