

# Research Function

**The Research Function was established in 2010 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. The IOSCO Strategic Direction 2015-2020 expanded the scope of this mission to go beyond financial stability to include IOSCO's two other core objectives: investor protection and fair, efficient and transparent markets.**

In November 2017, the Research Function was split into two new departments: Emerging Regulatory Issues Department (ERI) and Market Intelligence and Data Analytics (MIDAT).

## The identification of global risks in capital markets

ERI supports the IOSCO Board in its identification, assessment and prioritization of risks, trends and vulnerabilities in global capital markets. It provides input to the work of the IOSCO Committee on Emerging Risks (CER) and leads IOSCO's contribution to the FSB's key risk identification and risk assessment mechanisms.<sup>7</sup>

ERI works closely with the CER to help shape Board priorities through the development of the Risk Outlook. It works to ensure that the risks, trends and vulnerabilities identified in the document are developed into tangible ideas for the IOSCO Board to consider in setting its policy agenda for the coming year. The CER delivered the 2019 Risk Outlook to the Board in October 2019 and the priorities it identified laid the foundation for the 2020 work program.

In 2018, the Risk Outlook was re-designed to ensure it benefits from greater input from policy committees, the Growth and Emerging Markets Committee and the Affiliate Members Consultative Committee. In 2019, this outreach was expanded to include the regional committees. Structured risk discussions are now conducted with each of these committees in the first quarter of the year to leverage the sectoral expertise, market knowledge and the jurisdictional and regional insights of their members. Perspectives on regulatory issues to emerge from the committee outreach program are channeled into the CER, which coordinates and oversees the development of the Risk Outlook.

The resulting report is a securities market-centric document presented to the IOSCO Board at its autumn meeting. It provides a coherent, evidence-based analytical framework for the Board to identify new priorities and determine its policy and standard-setting work for the year ahead. In doing so, the new format has strengthened the interaction between the research function, the Board and its committees. The final result is a document that complements the previous top-down approach to prioritization with a bottom-up view of key sectoral risks. The resulting work program serves to support the external communication of IOSCO's strategy.

## Data collection

MIDAT provides IOSCO committees with market intelligence, data and data analysis, often in response to requests. In 2019, MIDAT provided crucial data and analytical input into several key projects for IOSCO, including its work to develop a framework for assessing leverage in investment funds, a review on the implementation of IOSCO Recommendations on Money Market Funds and Liquidity Risk Management and work on corporate bond market liquidity in stressed scenarios. Further, MIDAT is responsible for implementing the biennial IOSCO Hedge Funds Survey data collection exercise – the basis for upcoming work on global leverage reporting.

## Outreach, education and training and capacity building

In 2019, MIDAT took part in many education and training initiatives on behalf of IOSCO, including the Global Certificate Program, the Seminar Training Program on Asset Management and Financial Stability Institute training.

<sup>7</sup>ERI supports IOSCO's participation in the Standing Committee on Assessment of Vulnerabilities (SCAV) and resources IOSCO's contribution to SCAV's Analytical Group on Vulnerabilities and associated sub-committees (AGV FIN).

