



# Annual Report 2021

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS



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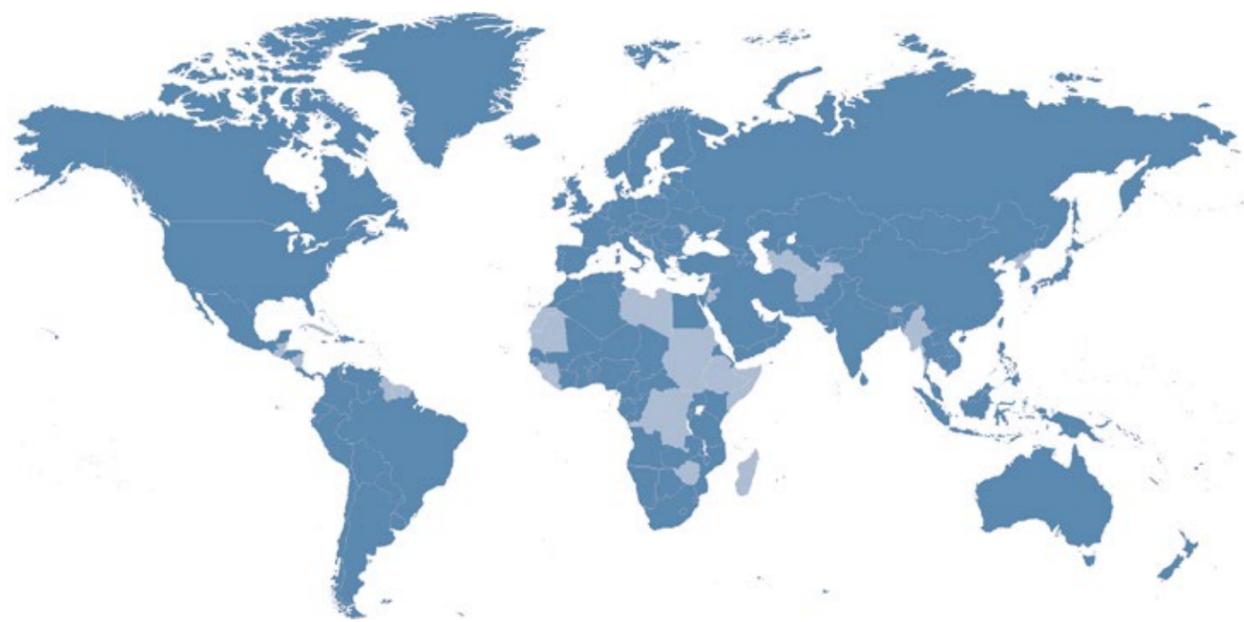


# IOSCO OBJECTIVES

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets and to mitigate systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in the supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

## I O S C O M E M B E R S H I P

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 IOSCO MEMBERSHIP

 NON-MEMBER JURISDICTIONS

Note: The following two organizations are ordinary members:

1. The **West African Monetary Union (WAMU)**, which comprises Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal, and Togo.
2. The **Commission de Surveillance du Marché Financier de l'Afrique Centrale (COSUMAF)**, which comprises Cameroon, Central African Republic, Congo, Gabon, Equatorial Guinea, and Chad.

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## Report from the Chair of the IOSCO Board

### Mr. Ashley Alder

- > Chair of the IOSCO Board
- > Chief Executive Officer of the Hong Kong Securities and Futures Commission

**The year 2022 marks the end of my third and final term as IOSCO Board Chair. It has been a privilege to have served IOSCO in this role and to have worked alongside fellow Board members, IOSCO members and stakeholders as well as members of other standard setting bodies, including the Financial Stability Board (FSB) and the Committee of Payments and Market Infrastructures (CPMI).**

With the challenges arising from inflation, interest rates, supply chain pressures, geopolitical tensions and the pandemic, financial markets are currently going through a period of exceptional change which requires IOSCO to continue to be extremely agile and responsive. I am pleased to report that with effective risk assessment and prioritization mechanisms in place, IOSCO is in a position to rapidly focus on new developments and the evolution of associated policies.

In the past year, IOSCO has made considerable progress on all major work streams including sustainable finance, financial stability risk identification with the FSB, crypto assets, conduct risk, investor awareness and capacity building.

### Repositioning IOSCO

When I started my first term as Board Chair in 2016, my key priorities were to promote the relevance of IOSCO's work to its wider membership and better interaction between members from emerging and developed markets; to ensure Board meetings would prioritize the discussion of substantive market and policy issues over internal procedural matters; and to enhance the relationship between IOSCO and the FSB based on a better shared understanding of our different perspectives on market risks and investor protection.

### A more inclusive IOSCO

The Board adopted a more effective and inclusive priority setting process in 2018 based on a comprehensive Risk Outlook prepared by the Committee of Emerging Risks that draws on detailed input from all Policy Committees, Regional Committees, the Growth and Emerging Markets Committee and the Affiliate Members Consultative Committee. The improved transparency around priority setting enables all IOSCO members and stakeholders to contribute to IOSCO's strategic direction and deliverables. Starting from 2021, the Board changed its work prioritization cycle from one-year to two-year periods, with a corresponding shift to a two-year work program.

The Annual Meeting has been transformed into an interactive "town hall" format which enables the wider membership to engage directly with Board members and Policy Committee chairs on key aspects of IOSCO projects.

IOSCO has also increased its efforts in providing members with practical and timely capacity building support, including the Global Certificate Program and the training hosted by the IOSCO Asia Pacific Hub and various Regional Committees. Another notable development that has bolstered IOSCO's investor protection efforts is the

success of the World Investor Week led by Committee 8 On Retail Investors, which started six years ago and has now become a highly anticipated global annual event, with participation from over 100 jurisdictions last year.

### Financial stability as a growing priority

IOSCO's overall profile and impact has increased, especially as financial stability has become a growing priority for us alongside investor protection and market integrity objectives.

This was catalyzed in an informal Basel meeting in early 2020, which I initiated with Jon Cunliffe (Deputy Governor of Bank of England), where securities regulators and central bankers had a frank discussion on non-bank financial intermediation (NBFI) - a precursor for the formal establishment of the IOSCO Financial Stability Engagement Group (FSEG) and the FSB Steering Committee on NBFI.

The FSEG, which has been led superbly by the US CFTC and France AMF, helps advance IOSCO's role in shaping international discussions on financial stability risks in the capital markets, as well as to enhance IOSCO's working relationship with the FSB and other international standard-setting bodies.

Notwithstanding commentary about deglobalization, the March 2020 market stresses further demonstrated the interconnectedness of financial markets and highlighted a greater need for global regulatory cooperation to respond to cross-border challenges and to reduce fragmentation. Apparent NBFI vulnerabilities revealed by these stresses were seen to be a priority. A key objective of the NBFI work is to increase resilience in the expanding non-bank credit and investment market, which had been fueled by years of post-GFC cheap money and strong investor demand for yield.

The FSEG has been instrumental in enabling IOSCO to work hand-in-hand with central banks. Critically, IOSCO has been able to convey evidence-based analysis and policy views of securities regulators on NBFI work including money market funds, open-ended funds, margining practices and bond market liquidity, which complements the macro-level analysis conducted by the FSB. The outcome is that IOSCO is now viewed as a vital contributor to policy development to address financial stability risks. With much of the NBFI work still ongoing, it is important for IOSCO to continue its contributions and ensure that the perspective of securities regulators is reflected in policy discussions.

### Effective responses to key policy areas

The deployment of other IOSCO Board-level task forces, such as the Sustainable Finance Task Force (STF) and the Fintech Task Force (FTF), has proven to be impactful and timely in helping to address emerging policy issues that are cross-border and cross-sectoral in nature with global ramifications.

The STF has made significant progress in a very short period of time. In particular, through the STF, IOSCO played an instrumental role in the formation of the International Sustainability Standards Board (ISSB) established by the IFRS Foundation, which is set to develop global baseline standards for corporate sustainability disclosures that would meet investor needs and resolve the currently fragmented sustainability reporting space.

I spoke at COP26 in Glasgow as Board Chair, highlighting the fact that, while dealing with the climate emergency is mainly a matter for governments, sustainability disclosures can make a significant difference in combating climate change and here, IOSCO and securities regulators can and will play an important role in supporting the transition to a low-carbon economy.

In 2022, the potential endorsement of the finalized ISSB Sustainability Disclosure Standards will be a major focus for IOSCO. Given the interlinked nature of sustainability initiatives and the importance of consistent and comparable disclosures for the transition, I strongly encourage all IOSCO members to consider implementing and integrating these standards and IOSCO recommendations and guidance in this area to ensure our overall approaches are sufficiently harmonized and effective.

Digitalization and financial innovation continued to impact financial markets, giving rise to conduct risks associated with, for example, social media and digitalization of retail market distribution and crypto assets.

Some of these risks are not new. Taking the example of stablecoin arrangements, CPMI-IOSCO published a consultative report which clarified that these arrangements should observe international standards for payment, clearing and settlement systems - that is to apply the "same business, same risk, same rules" approach to fast growing and important payment innovations.



In crypto, we are witnessing the emergence of different market structures with actors providing bundled services, as well as cross-border enforcement challenges. Recent developments related to UST/Luna, Tether and Celsius present clear evidence of the risks and vulnerabilities that crypto assets pose to investors, especially when their governance frameworks and safeguards are found to be lacking.

The work of the FTF covering crypto, digital assets and decentralized finance will contribute towards IOSCO's efforts in analyzing and responding to market integrity and investor protection concerns within the crypto-asset space. Systemic risk concerns will be actively considered by the FTF with relevant data and findings channeled into the FSB's financial stability agenda.

### Moving forward

IOSCO will need to continue supporting its members in an environment where investors are more vulnerable to market and liquidity risks as well as to bouts of intense volatility. The era of low or even negative interest rates has led to increased wealth inequality, with more vulnerable populations unable to benefit from asset price inflation over the past few years. This underscores the importance of IOSCO workstreams on retail financial services and fair outcomes for consumers.

Conduct risks may be elevated amidst greater financial stress, and financial stability risks need to be monitored carefully, not least as central banks' policy

space to provide exceptional backstops in the face of unexpected shocks (as in March 2020) may be limited due to the move towards quantitative tightening and higher interest rates. Hitherto opaque markets such as commodity derivatives may need additional scrutiny given that market failure in such areas can have serious implications for the real economy. The leadership role of the Board is crucial as we continue to navigate through this extraordinary and extended period of uncertainty.

Finally, I would like to take this opportunity to thank IOSCO Secretary General Martin Moloney, his predecessor Paul Andrews and the General Secretariat team who have very ably supported me and the Board in carrying out our responsibilities in what has been a very challenging environment over the past few years.

I commend the strong leadership and commitment of all Committee Chairs and Vice-Chairs as well as the valuable contributions of their members to progress IOSCO's priorities. As a special mention, I wish to express my appreciation to Robert Ophele (France AMF), Rostin Behnam (US CFTC), Erik Thedeen (Sweden FI) and Tuang Lee Lim (Singapore MAS) who lead the FSEG, STF and FTF for their dedication in delivering on critical work for IOSCO, as well as the Board Vice Chairs, Jean-Paul Servais (Belgium FSMA) and Mohammed Omran (Egypt FRA).



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

#### Dr. Mohammed Omran

- > Vice Chair of the IOSCO Board
- > Chair of the Growth and Emerging Markets Committee
- > Executive Chairman of the Financial Regulatory Authority, Egypt

I am pleased to present some of the important work conducted by the IOSCO Growth and Emerging Markets Committee (GEMC) in 2021.

The Covid-19 pandemic continues to pose various challenges for emerging market jurisdictions, including their financial markets. The emerging markets have, however, showed a solid level of resilience and have been able to operate on a remote basis. At the same time, regulators from emerging markets have also continued developing new initiatives or accelerated planned initiatives.

### Fintech in Emerging Markets

In May 2019, the GEMC identified Fintech as a priority for emerging markets. The GEMC established a working group, led by CNBV Mexico, to analyze the use of innovation facilitators in these markets (i.e., innovation hubs, regulatory sandboxes, and accelerators).

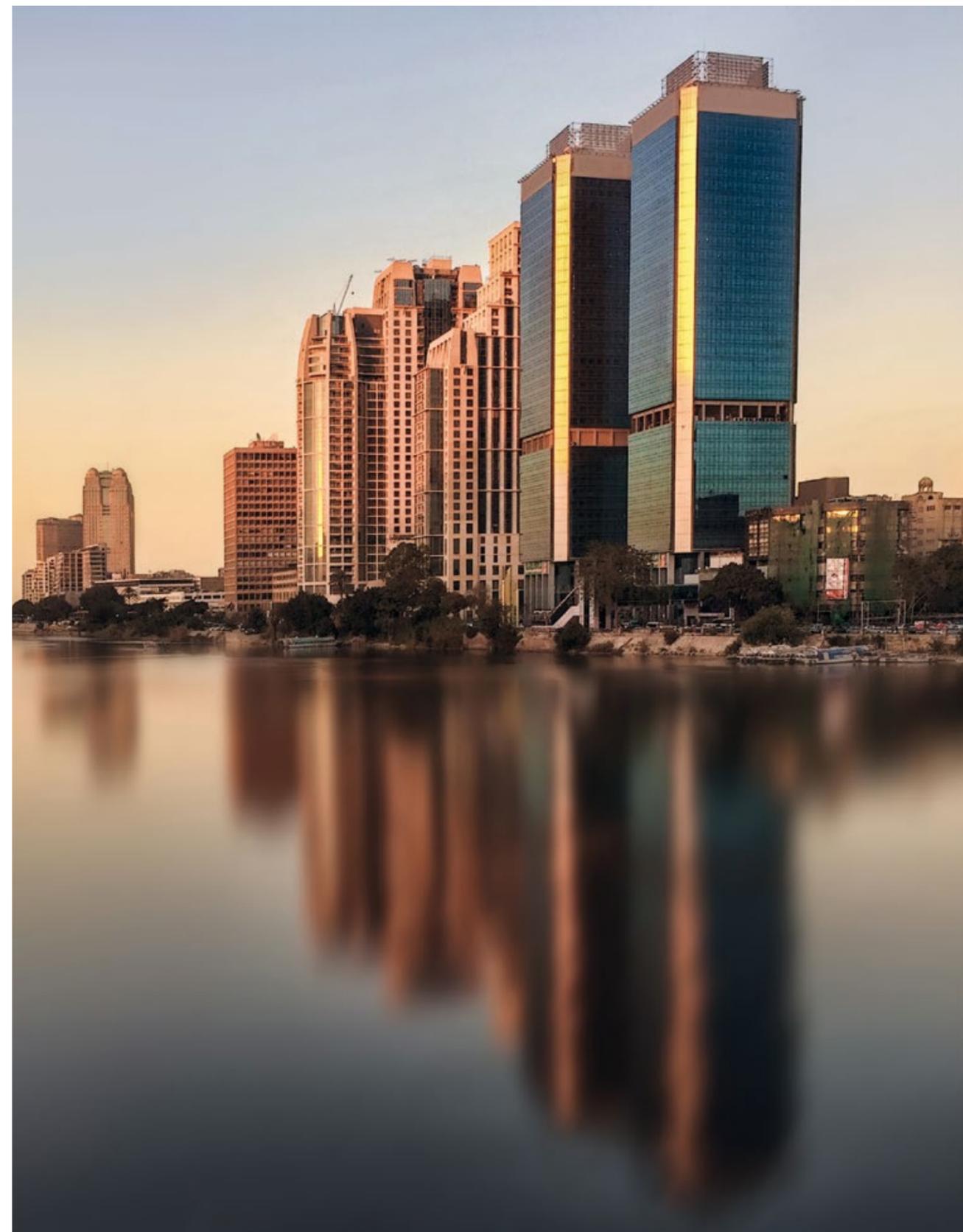
The main objectives of this work are to understand the current regulatory and supervisory approaches that members have in place to expedite the innovation facilitators and to analyze the role of the public and private sectors for such facilitators.

In December 2021, the GEMC published its consultation report on *The Use of Innovation Facilitators in Emerging Markets*. The consultation report, which was drafted based on an extensive literature review and a comprehensive survey conducted among GEMC members, includes four key recommendations for emerging market member jurisdictions to consider when setting up innovation facilitators. These recommendations cover the following areas:

- > Considerations prior to the establishment of innovation facilitators;
- > Definition and disclosure of objectives and functions of innovation facilitators;
- > Defined eligible entities and the criteria for application; and
- > Mechanisms for cooperation and exchange of information with both local and foreign relevant authorities.

The report provides practical guidance to securities regulators from emerging and developing countries that would allow them to make more informed decisions regarding the potential benefits of these facilitators. Moreover, the report includes a decision tree to assist regulators in assessing the possibility of setting up an innovation facilitator. All three types of innovation facilitators appear on the decision tree, which considers the characteristics of the ecosystem in which financial innovation is taking place.

The public consultation receive broad support, and the GEMC expects to publish the final report in the summer of 2022.





## Emerging Markets as an Asset Class

The GEMC conducted an initial analysis of the impact of COVID-19 in emerging markets (EMs) in 2020 focusing on the massive capital outflows experienced in March-April 2020. This exercise revealed that emerging markets were impacted differently by the strain on markets resulting from Covid-19 market turmoil, depending on their level of development.

Based on the initial analysis and areas of interest to our members, the GEMC, under the leadership of FRA Egypt, initiated in September 2021 a more comprehensive analysis to gain greater insight into the characteristics of emerging markets as an asset class and to explore areas where foreign investment into emerging markets could be encouraged. The preliminary conclusions from the work undertaken so far are twofold: to cushion EMs against foreign investor outflows, especially in times of crisis, there is a need to develop deeper domestic investor markets to decrease reliance on foreign investors such as foreign investment funds; and EMs should consider developing better derivatives markets for hedging purposes. The initial analysis also showed that passive funds have divested much faster from EMs than from other markets and suggested the reasons may be the index providers' decision to remove certain jurisdictions from the index, possibly mechanically.

The GEMC will continue this work in 2022.

## Sustainable Finance in emerging markets

On 20 October 2021, the GEMC and United Nations Conference on Trade and Development (UNCTAD) held a regulatory workshop on *Securities market regulators and Sustainable Investment*, under the umbrella of the 7th UNCTAD World Investment Forum.

The workshop provided an opportunity for emerging markets regulators to take stock of the most recent developments involving sustainable finance and initiate a discussion about the implementation of global standards in this area.

The discussions held at the workshop indicated that the rapid growth in ESG investment has given rise to an increasingly fragmented regulatory landscape, characterized by a variety of regulatory regimes and sustainability reporting frameworks and standards. This has resulted in sustainability reporting that is both incomplete and inconsistent across jurisdictions, industries and companies. Such shortcomings hamper investors' ability to make informed decisions and have raised concerns around the mispricing and associated risks of greenwashing.

In this regard, the workshop included two panels. The first panel, on sustainability related issuer disclosures, discussed IOSCO's vision and expectations for a global

baseline of investor-focused sustainability standards to improve the global consistency, comparability and reliability of sustainability reporting. Panelists also exchanged experiences and lessons learned in emerging markets and discussed the next steps for implementing the global standards.

The second panel, on asset managers, greenwashing, ESG ratings and data providers, discussed the regulatory and supervisory expectations for asset managers regarding sustainability related risks and opportunities and how IOSCO's proposed recommendations intend to improve sustainability related practices, policies, procedures and related disclosures in the asset management industry. The panelists also discussed what securities markets regulators should consider when developing their own national, regulatory and supervisory frameworks for ESG ratings and data providers.

## GEMC Virtual Meeting

The GEMC held a virtual meeting on 11 November 2021, under the umbrella of the IOSCO 46th Virtual Annual Meeting. The GEMC discussed the progress made with its various workstreams as well as other IOSCO's projects underway and of interest to the GEMC.

This meeting also reinforced the cooperation and dialogue among the GEMC members who worked on

areas of common interest during 2021 and discussed the emerging trends with a potential impact on emerging markets.

## Conclusion

Notwithstanding the current challenging environment, this is also a moment of opportunities for emerging markets. The ongoing strong engagement and the work carried out in 2021 pave the way for enhancing even further the collaborative dialogue among emerging markets.

In 2021, little would have been accomplished had I not benefitted from the great support and collaboration of GEMC members, the leaders of the various workstreams and the IOSCO General Secretariat. I would therefore express my appreciation to them for their collaboration and hard work in meeting the GEMC objectives. I am particularly grateful to Raluca Tircoci-Craciun of the General Secretariat and her team ((Seung Eun Lee, Lalida Chuayruk, Rinasha Appavoo, Hemla Deenath and Josafat De Luna Martínez) for their dedication and diligence, which proved to be invaluable to the work of our Committee.

I hope the GEMC can meet again soon, in-person, to continue enhancing its impact and contribute to more efficient capital markets in light of IOSCO's general objectives for investor protection and market integrity.



### Report from the Chair of the Affiliate Members Consultative Committee (AMCC)

#### Ms Karen Wuertz

- > Chair of the Affiliate Members Consultative Committee
- > Senior Vice President, External Affairs and Communications, National Futures Association

As I write this report, we are witnessing Russia's brutal invasion of Ukraine. This ongoing tragedy has sparked extreme volatility in many key financial markets. During these times of turmoil, the Affiliate Members Consultative Committee's (AMCC) priorities continue to focus on orderly markets, cybersecurity, market functionality and resiliency and the detection of manipulative, inappropriate or disruptive conduct.

The global pandemic and the related market turmoil tested the resilience of our markets. Looking beyond the pandemic, we will encounter new priorities to consider and address. For example, new regulatory challenges associated with digital assets and a rise of retail participation in financial markets will emerge. The AMCC is committed to providing its expertise and experience to new and existing challenges through participation in a wide range of IOSCO initiatives. This important work strives to ensure markets remain resilient and vibrant while demanding high integrity standards of all market participants.

### Thriving Today, Preparing for Tomorrow

The AMCC plays an important consultative role within the IOSCO framework. To appreciate the valuable expertise membership provides, it's important to highlight the breadth, depth and diversity of the Committee. Over 65 IOSCO affiliate members representing self-regulatory organizations (SROs), exchanges, market infrastructures, investor protection and compensation funds, associations of regulated entities, as well as other bodies with interest in securities and derivatives regulation make up the AMCC. AMCC Members' priorities are completely aligned with IOSCO's objectives to enhance investor protection; maintain fair, efficient and transparent markets; and address systemic risk.

Despite the challenges of 2021, the AMCC pushed forward and delivered valuable front-line regulatory expertise and market insights to support IOSCO's ongoing policy and standard setting work. This report highlights the AMCC's many contributions in 2021 addressing several IOSCO priorities, including capacity building, investor protection, retail market conduct and sustainable finance.

### Significant Contributions

**Capacity Building:** The AMCC offers an annual Regulatory Staff Training Seminar (AMCC Seminar) featuring panels, case studies, and presentations regarding IOSCO objectives and principles. This training program shares AMCC Members' expertise with the entire IOSCO Membership. The virtual seminar, attended by more than 200 participants and 13 speakers from around the world in 2021, covered enforcement, remote supervision, fraud, the regulatory response to the COVID-19 pandemic and emerging markets.

To increase its capacity building efforts during the pandemic, the AMCC established the Learning Series—a series of webinars hosted by AMCC members covering timely topics. The first two editions of this educational series covered the dynamics and regulation of the derivatives markets as well as the fundamentals of securities and derivatives clearing. The two webinars together hosted more than 350 attendees, highlighting

the extended reach of the AMCC's capacity building initiatives.

AMCC members are currently planning the next two Learning Series editions addressing cybersecurity and clearing. Additionally, planning for the next virtual AMCC Regulatory Staff Training Seminar is underway.

**Investor Protection:** AMCC members continued their strong support of IOSCO's 2021 World Investor Week campaign. Over 35 AMCC members participated in this important week-long event. AMCC member activities

included the Financial Planning Standards Board (FPSB) World Financial Planning Day, which reaches a global audience. Other events included webinars, panel discussions, social media campaigns and virtual opening and closing bell ringing ceremonies, among others. AMCC efforts to support IOSCO's investor protection priority illustrate its members' strong commitment to collaborate on a shared objective.

**Retail Market Participation:** AMCC members with SRO responsibilities assisted the IOSCO Retail Market Conduct Task Force (RMCTF) in analyzing recent



retail market participation trends and related conduct issues. Trends include the impact of social media on retail trading decisions, activist retail activity and gamification, among others. The viewpoints from these AMCC members contributed to the IOSCO RMCTF's consultative report published in early 2022 and provided valuable insight from their unique positions in the global marketplace. An AMCC-RMCTF Joint Session is being planned, which will enable the AMCC membership to continue offering its expertise in a crucial area.

**Sustainable Finance:** IOSCO continues to make progress on its priority work on sustainability and green finance. The AMCC Sustainable Task Force (STF) provides an interface between IOSCO members and the industry in support of the multifaceted work conducted by the IOSCO Sustainable Finance Task Force. Thanks to an industry-wide survey conducted by the AMCC STF, important information on ongoing sustainability initiatives is available on a searchable dashboard. Work in this crucial area is not complete, however, and AMCC members are prepared to provide their continued support.

### Looking Ahead

The AMCC continues to explore effective, efficient and innovative ways to fulfill its objectives in a post-pandemic world. The Committee is committed to fulfilling its important consultative role within IOSCO's framework and contributing to IOSCO's objectives of enhancing investor protection; maintaining fair, efficient and transparent markets; and addressing systemic risk.

I am very proud of the AMCC's accomplishments throughout this turbulent time. Despite the success in this virtual environment, I look forward to meeting with our IOSCO colleagues in person again. You cannot underestimate the importance and value of our IOSCO relationships, and I hope we all can enjoy that privilege again.

### Thank You

As we close the books on another year, I want to express my sincere gratitude to all AMCC members for their dedication to the many important IOSCO initiatives. I also want to thank the General Secretariat staff, the AMCC Vice-Chair and all those who support the AMCC work for their expertise, assistance and coordination. Lastly, I want to welcome Martin Moloney back into the IOSCO fold as its Secretary General. I look forward to working alongside him in contributing to IOSCO's future success.





## Report from the IOSCO Secretary General

Mr. Martin Moloney  
> IOSCO Secretary General

It is a pleasure for me to present some of the key highlights of IOSCO policy work in 2021, the year in which I took over as Secretary General of IOSCO.

Even under normal circumstances assuming the role of SG would be an honor and a challenge. But as change continues to sweep through capital markets, hastened by innovative technologies, climate change and the fallout from the COVID-19 pandemic, IOSCO faces new and pressing matters regarding investor protection, market integrity and financial stability, the three objectives guiding IOSCO work. I feel grateful to the IOSCO Board for placing their confidence in my ability to steer the Secretariat through such demanding but exciting times.

Much of the work IOSCO undertook in 2020 aimed to prepare the organization and its members for the unprecedented challenges that lay ahead. Consequently, IOSCO added two new priorities to its Work Program<sup>1</sup> for 2021-2022 to address stability issues and the impact of COVID-19 on investors and global capital markets:

- > Financial stability and systemic risks of non-bank financial intermediation activities (NBFIs); and
- > Risks exacerbated by the COVID-19 pandemic – misconduct risks, fraud and operational resilience.

IOSCO also continued its work on sustainable finance, building on the findings in its reports on *Sustainable Finance and the Role of Securities Regulators and IOSCO*<sup>2</sup> and *Sustainable finance in emerging markets and the role of securities regulators*.<sup>3</sup>

Shortly after I arrived in Madrid in September 2021, IOSCO's Sustainable Finance Task Force (STF) issued two groundbreaking and timely reports on *ESG ratings and Data Providers and Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure*. Earlier, in June, the STF published its *Report on Sustainability-related Issuer Disclosure*; and soon after, IOSCO publicly reconfirmed its support for the creation of an International Sustainability Standards Board (ISSB) under the IFRS Foundation's purview.

The three reports mark a turning point for the organization and, quite likely, for the future of sustainable finance. The IOSCO reports and public statements helped pave the way for the launch of the ISSB at the COP26 meeting in Glasgow in November 2021 by providing vital guidelines and recommendations for the global financial sector to

effectively allocate capital to sustainable finance and avoid greenwashing. The aim is to replace the private sector's fragmented standard setting with a practical and effective process that establishes a global baseline standard for climate disclosure.

By end 2021, the initiative had won the support of other international organizations, standard setting bodies and many securities regulators and supervisors. In 2022, we expect to see the ISSB issue the first climate disclosure standard, clearing the way for more consistent global ESG disclosure and reporting. If the standard meets its expectations, IOSCO will encourage its 130 members to endorse them, thereby conferring on the organization the same role it played some 20 years ago with the launch of the IFRS accounting standards. Currently, the IFRS standards are required in more than 140 jurisdictions and permitted in many others.

While sustainable finance took center stage in late 2021, IOSCO also dedicated time and energy to identifying the risks to financial stability and investor protection issues throughout the year.

The IOSCO Board-level Financial Stability Engagement Group has led the work on financial stability. IOSCO created the FSEG in early 2020 to provide the securities regulators' perspective of the impact of COVID-19 on Non-Bank Financial Intermediation (NBFIs), particularly regarding the asset management industry. Here the FSEG engaged closely with the Financial Stability Board (FSB) and, to a lesser extent, with other international standard-setting bodies, such as the Committee on Payments and Markets Infrastructure (CPMI).

Policy work in 2021 focused on assessing liquidity risk and its management in open-ended funds, such as Exchange Traded Funds (ETFs) and Money Market



<sup>1</sup> IOSCO publishes work program for 2021-2022, IOSCO MR07 media release, 26 February 2021, available at: <https://www.iosco.org/news/pdf/IOSCONEWS596.pdf>

<sup>2</sup> Sustainable Finance and the Role of Securities Regulators and IOSCO, report of the IOSCO Board, April 2020, available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf>

<sup>3</sup> Sustainable Finance In Emerging Markets and the Role Of Securities Regulators, Report of the IOSCO Growth and Emerging Market Committee, June 2019, available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD678.pdf>



Funds (MMFs) and enhancing their resilience in the face of pandemic-induced market stresses. In October, the FSB published a report on *Policy Proposals to Enhance Money Market Fund Resilience*, with input from the FSEG. Enhancing MMF resilience aims to mitigate systemic risks and reduce the need for future central bank interventions to support the sector.

Similarly, IOSCO continued its work in 2021 on ETFs. Through its Committee 5 on Investment Management, it conducted a survey of industry participants in late 2020 to identify the potential investor protection, market integrity and financial stability issues related to ETFs. In 2021, the committee also began work on a set

of good practices to complement IOSCO's 2013 ETF Principles<sup>4</sup> and address developments affecting these open-ended funds since the principles were issued. In early 2022, IOSCO issued these good practices for public consultation.

For 2023, the FSB, working with IOSCO, plans to review progress made by member jurisdictions in adopting its proposals for strengthening MMF resilience. The review will assess the effectiveness of the proposals at addressing financial risks that arise.

In conjunction with the CPMI, IOSCO in 2021 examined the frameworks and dynamics of margin calls in centrally

and non-centrally cleared derivatives and securities markets, as part of its work on NBF1. The objective has been to determine whether rules for margin contributed to liquidity imbalances in the financial system.

Finally, the COVID-19 pandemic has caused massive economic disruption, financial strains, physical and social isolation and also appears to have gone hand in hand with some significant changes in online financial activity—circumstances that have increased conduct risk and retail investors' susceptibility to scams and frauds. IOSCO's Retail Market Conduct Task Force (RMCTF) conducted work in this area in 2021 to better understand the impact of the pandemic on retail investors.

The RMCTF produced a report in December 2020 detailing the specific drivers of misconduct and the potential risks, harms and challenges that retail investors face during the pandemic. Building on this work, the RMCTF is preparing a regulatory toolkit regarding retail market conduct to assist members in addressing these issues.

The projects described above represent only a fraction of the work IOSCO conducted in 2021. But I sincerely hope the impact they have will be positive and long lasting.

In conclusion, I would like to pay tribute to my predecessor Paul Andrews who did an exceptional job steering the Secretariat through challenging years. Paul has left a strong legacy and is widely known and much respected across financial markets for his commitment and work. I know many others will join with me in wishing him well. He is a hard act to have to follow! But in doing so I have the support of the very hard working and highly motivated Secretariat staff in IOSCO who bring great expertise and immense commitment to so many aspects of our work and who have been so welcoming to me. Their support and that of the Chair of the Board and his Board management team have been exceptionally helpful to me in joining this immensely important organization.

<sup>4</sup> Principles for the Regulation of Exchange Traded Funds, report of the IOSCO Board, June 2013, available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD414.pdf>

## Activities of IOSCO's policy committees in the Year

The IOSCO Board reviews the regulatory issues facing international securities markets and coordinates practical policy responses to address the concerns they raise. Eight policy committees conduct substantive IOSCO work under the guidance of the Board and supported by the General Secretariat:

- > Issuer Accounting, Audit and Disclosure;
- > Regulation of Secondary Markets;
- > Regulation of Market Intermediaries;
- > Enforcement and Exchange of Information;
- > Investment Management;
- > Credit Rating Agencies;
- > Derivatives; and
- > Retail Investors.

The Board also oversees the activities of the Growth and Emerging Markets (GEM) Committee. The GEMC seeks to develop and improve the efficiency of emerging securities markets through the development of standards, recommendations, best practices and guidance, the provision of training programs for members' regulatory staff and by facilitating the exchange of information, technology and expertise. The GEMC and the eight committees support IOSCO in pursuit of its three main objectives of protecting investors, maintaining fair, efficient and transparent markets and mitigating systemic risks.

In addition to the policy committees, several task forces and working groups examined relevant developments in the financial markets in 2021. These task forces and groups included:

- > Board-level Task Force on Financial Benchmarks
- > Board Sub-Group on Data Protection
- > Follow-up Group to the 2015 Cross-Border Regulation Task Force (FUG)
- > Board-Level Financial Stability Engagement Group (FSEG)
- > Board Level Retail Market Conduct Task Force
- > Sustainable Finance Task Force

IOSCO also maintained the following information-sharing networks for members in 2021:

- > Fintech Network
- > The ICO Consultation Network and Support Framework
- > Sustainable Finance Network and Sustainable Finance Task Force
- > Special Purpose Acquisition Company (SPAC) Network

In 2020, these Committees and Task Forces were largely focused on supporting IOSCO's response to COVID-19 induced market stresses and addressing potential financial stability risks, particularly those related to non-bank financial intermediation activities during the crisis period.

In 2021, IOSCO's continued to respond to the risks arising from COVID-19 but intensified its efforts to address related market integrity issues, misconduct risks, fraud and operational resilience. As always, investor protection remained high on the IOSCO agenda.

Through the work of its Sustainable Finance Task Force, IOSCO sought to improve the completeness, consistency and comparability of sustainability reporting. IOSCO was instrumental in supporting the IFRS Foundation in establishing the International Sustainable Standards-setting Board, which is seeking to create a comprehensive global corporate sustainable reporting system under the umbrella of the IFRS.

IOSCO will also continue to focus on investor protection and market integrity, as well as examining the impacts of COVID-19 – and in particular, remote working – on misconduct risks, fraud, and operational resilience. Through the work of the Sustainable Finance Task Force IOSCO will play a leading role in addressing the urgent goal of improving the completeness, consistency, and comparability of sustainability reporting. In doing so, IOSCO will further explore the establishment of a global comprehensive corporate reporting system under the IFRS Foundation.

## Policy Committees

### Committee 1 on Issuer Accounting, Audit and Disclosure

Committee 1 on Issuer Accounting, Audit and Disclosure (C1) is devoted to delivering IOSCO's investor protection mandate by improving the development and maintenance of high-quality international accounting and auditing standards, enhancing financial reporting and audit quality and improving the quality and transparency of the disclosure and financial information that investors receive from listed companies.

To facilitate investor access to reliable and timely information, Committee 1 develops international disclosure standards and principles that provide a framework for member jurisdictions seeking to establish or review their disclosure regimes for entities that issue securities.

In the field of accounting, Committee 1 also monitors the projects undertaken by the International Accounting Standards Board (IASB) of the International Financial Reporting Standards Foundation (the IFRS Foundation), which includes observing the IFRS Interpretations Committee (IFRIC) and participating in the IFRS Advisory Council and other IASB working groups.

The IFRS Foundation is the legal entity under which IASB operates. Working through the IASB, its mission is to develop International Financial Reporting Standards (IFRS) that bring transparency, accountability and efficiency to financial reporting around the world. Committee 1 contributes to the standard setting work of the IASB through its involvement in the IASB's work streams and its comment letters on IASB proposals, providing the IASB with input that reflects the perspective of securities regulators.

IOSCO currently chairs the Monitoring Board (MB) that oversees the IFRS Foundation, where it holds a seat in representation of the IOSCO Growth and Emerging Markets Committee. Committee 1 also represents IOSCO in its capacity as an official observer to the International Forum of International Regulators (IFIAR), with whom it liaises on relevant workstreams.

IOSCO also believes that a set of international auditing standards has an important role to play in contributing to global financial reporting and supporting investor confidence and decision making. To that end, Committee 1 monitors the activities of two of the International

Federation of Accountant's standard setting bodies: The International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), and it participates in their respective Consultative Advisory Groups (CAGs).

### Monitoring Group Consultation Paper on reform of the global audit standard-setting process

IOSCO is a founding member of the Monitoring Group (MG) of international organizations committed to advancing the public interest in areas related to international audit standard setting and audit quality. In 2019-2021, IOSCO acted as the Secretariat to the Monitoring Group whose members are the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Forum of Independent Audit Regulators and the World Bank.

In November 2017, the Monitoring Group issued a consultation paper on *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest*. The objective was to obtain stakeholder views on how best to safeguard the independence of the audit standard setting process and increase its responsiveness to the public interest. The consultation paper set out various options to enhance the governance, accountability and oversight of the international audit standard-setting process. After reviewing the 180 comments from a wide range of stakeholders, the Monitoring Group published, in July 2020, the final reform measures aimed at strengthening the international audit and ethics standard-setting system. Specifically, the recommendations are designed to achieve the following objectives:

- > Achieve an independent and inclusive, multi-stakeholder standard-setting system;
- > Reinforce the consideration of the public interest within the standard-setting process and throughout the full cycle of standards' development, with enhanced independent oversight and standard-setting guided by the Public Interest Framework; and
- > Foster the development of timely, high-quality standards that respond to an accelerating pace of change.

The MG recommendations envisaged establishing a transition plan within nine months of publication and implementing the recommendations within a three-year period.



The MG finalized its transition plan in June 2021 and began work on the implementation of the recommendations, which include workstreams for the following six key aspects needed to implement the MG Reforms: (i) Nominations and Transition of the Boards, (ii) Legal Structure, (iii) Staffing Needs and Costs, (iv) Funding (v) Skills Matrices and Conflict of Interest Policies, and (vi) Operating Procedures.

#### Environmental, Social and Governance Disclosure

Committee 1 played a key role in IOSCO's work to enhance the disclosure by issuers of Environmental, Social and Governance (ESG) information. During 2021, it interacted with various forums and task forces, issuers and investor groups to better understand market participants' perspectives and expectations regarding international efforts to improve the disclosure of ESG information and to explain the importance of having issuers disclose information on ESG matters to assist investors in their investment decisions and protect them against greenwashing and other sustainability related risks and challenges.

The committee issued various statements supporting the IFRS project to create an International Standard

Setting Board entrusted with the job of issuing a baseline standard for ESG disclosure and replacing the current alphabet soup of private-sector standards. *(For further information on IOSCO's ESG work refer to IOSCO's Sustainable Finance Network and Board-Level The Sustainable Finance Task Force under the section on Information Networks)*

#### Other Activities in 2021

In 2020, the IOSCO Board asked Committee 1 to explore the issues related to accumulated amounts of goodwill. In response, the Committee issued a public statement in February 2021 encouraging the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) to collaborate closely with each other on accounting for goodwill to ensure that alignment between IFRS and U.S. GAAP in this area could be maintained or enhanced. The objective was to establish a consistent global approach to avoid having the two standard setters develop different standards, thereby possibly hindering comparability for investors.

#### Committee 2 on Regulation of Secondary Markets

Committee 2 on Regulation of Secondary Markets examines the structure and regulation of global capital markets and financial market infrastructure, including developments in technology, trading and trading venue oversight. The work of Committee 2 focuses on issues relating to investor protection, market integrity and fair and efficient markets.

#### Market Data

In December 2020, Committee 2 published a consultation report on issues associated with market data in secondary equity markets.

While market data is an essential element of fair and efficient markets, participants in many jurisdictions have raised concerns about the content, costs, accessibility, fairness and consolidation of these data.

After receiving 39 responses to its consultation report on market data by the February 2021 deadline,

Committee 2 drafted a final report setting out issues and considerations for regulators when they review the regulation of market data. The report highlighted the importance of market data as an essential element of efficient price discovery and for maintaining fair and efficient markets.

The final report was published in early 2022.

#### The Impact of Shocks of March/April 2020 on Secondary Markets

In December 2020, the Board approved a mandate for Committee 2 to examine the market turbulence in March/April 2020 and its impact on secondary market microstructures. The objective was to determine whether earlier C2 reports on these market microstructures, including volatility control mechanisms, market making, business continuity and technology risks and short selling, needed to be reviewed and updated, and what lessons were learned. C2 sent a short survey to member regulators, trading venues and market participants for completion by early June 2021. Based on the responses, C2 drafted an internal report for members.

### Payment for Order Flow (PFOF)

In March 2021, the Committee 2 discussed the issues stemming from payment for order flow (PFOF), particularly regarding 2021 markets. Committee 2 prepared an issues paper describing the practice of PFOF and circulated a survey among its members to gather information on their practices/approaches and regulatory initiatives regarding PFOF. The committee discussed its findings and continues to monitor the situation.

### Committee 3 on Regulation of Market Intermediaries

Committee 3 on Regulation of Market Intermediaries seeks to promote investor protection and market efficiency through its policy work on issues related to market intermediaries.

### Work on Digitalization and Cross-Border Distribution (Follow-up to the Retail OTC Leveraged Products Project)

The IOSCO Board identified Retail distribution and digitalization as one of its work priorities for 2019, 2020 and 2021. As with its previous Retail OTC Leveraged Products work, published in 2018, Committee 3 collaborated with Committee 4 on Enforcement and the Exchange of Information on this project, a key element in IOSCO's efforts to build trust and confidence in markets that are facing new and emerging opportunities and risks. The overarching objective is to protect retail investors who are the recipients of online offerings and marketing techniques. *(For more information, please see the section below on Cross committee work)*

### The Use of Artificial Intelligence in the Context of Market Intermediaries and Asset Managers

In September 2021, Committee 3 and Committee 5 on Asset Management published guidance to help IOSCO members regulate and supervise the use of Artificial Intelligence (AI) and Machine Learning (ML) by market intermediaries and asset managers, following publication of a consultation report in June 2020. *(See Cross-Committee Work below for more information).*

### Outsourcing

IOSCO published in October 2021 a set of updated outsourcing principles for regulated entities that outsource tasks to service providers. Since the publication of IOSCO's principles on outsourcing for

market intermediaries in 2005 and for markets in 2009, new developments in markets and technology have focused regulatory attention on risks related to outsourcing and the need to ensure the operational resilience of regulated entities.

Moreover, the effects of the COVID-19 pandemic highlighted the need to maintain business continuity in situations where external and often unforeseen shocks impact firms and their service providers.

Committee 3 coordinated with Committees 2 on Regulation of Secondary Markets, 6 on Credit Rating Agencies and 7 on Derivatives through a the cross-committee drafting group, which prepared a consultation report published in May 2020, followed by the final report in October 2021. *(See Cross-Committee Work below for more information).*

### Project on Leveraged Loans and Collateralized Loan Obligations (CLOs).

The work program for 2020 called for IOSCO to continue work on five specific priorities identified by the Board for 2019 while assuming a new priority on the rising levels of corporate debt and leveraged loans and the potential resultant risks in capital markets. Corporate debt and leveraged loans remained a priority in the years 2021 – 2022.

Committee 3 and Committee 5 on Asset Management jointly undertook this project, focusing on the potential conflicts of interest and misalignment of incentives along the intermediation chain, from credit origination to the sale of these products to end-investors. The project also looked at disclosures, market transparency and investor due diligence regarding CLOs and leveraged loans. *(See Cross-Committee Work below for more information).*

### Operational Resilience

The COVID-19 experience provided an opportunity for IOSCO to examine the operational resilience of trading venues and market intermediaries, to ensure they are prepared for future operational disturbances.

Committees 2 and 3 worked together in 2021 on a consultation paper on lessons learned from the operational resilience of trading venues and market intermediaries during the pandemic, which was published in January 2022. *(See the section on cross-committee work below for more information)*

### Committee 4 on Enforcement and the Exchange of Information

Committee 4 on Enforcement and the Exchange of Information encourages members to share information on investigations of securities and derivatives laws, good practices for investigation and international cooperation in investigations. It provides a platform for members to share experiences in identifying and addressing emerging types of misconduct.

Additionally, members share best practices to facilitate the process of requesting and providing international assistance on enforcement matters, using the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMOU) and the Enhanced Multilateral Memorandum of Understanding (EMMOU) as the benchmarks for cooperation. Being mindful of the need to share important thematic lessons with the wider IOSCO membership, C4 from time-to-time issues publications on relevant enforcement topics for IOSCO members.

### Enforcement Cooperation

Committee 4 continued to work with the MMoU Screening Group in 2021 to encourage IOSCO members to cooperate on enforcement under the MMoU and its new, enhanced version the EMMoU, as the international standards for cooperation and information exchange. Cooperation among regulators on enforcement is essential to sustain effective global regulation and robust securities markets around the globe and ensure their healthy and robust development.

### Issues in International Cooperation

Committee 4 continues to focus on facilitating the exchange of information and the provision of mutual assistance among IOSCO members in enforcement. Members recognize that good practices complement international cooperation under the MMoU/EMMoU. In 2021, Committee 4 held several discussions on ways through which regulators could facilitate international assistance and support enforcement functions at a practical level. Some ideas from these discussions include the provision of real-time intelligence sharing; and the use of technology to enhance the speed and security of information shared under the MMoU/EMMoU.

Committee 4 members organized an intelligence-sharing roundtable on Contracts for Differences (CFDs)

activities in September 2021 with participants from 12 Committee 4 member organizations.

In addition, the committee distributed a survey among IOSCO members in July 2021 designed to help it understand the legal frameworks under which foreign authorities directly contact individuals in member jurisdiction.

### Enforcement Toolkit

A regulator's enforcement Toolkit consists of a combination of legislative powers, techniques, arrangements and technological tools that the regulator uses to investigate misconduct and prosecute offenders who violate securities and derivatives laws and deliver effective deterrence in each case. C4 recognizes the importance of regulators routinely considering the makeup of their enforcement toolkits to ensure they are well equipped to address serious current and emerging threats in their markets and to investors, including digital threats.

Committee 4 conducted a survey of effective and/or innovative and forward-looking legislative powers, techniques, arrangements and technological tools for detection, investigation and sanctioning that IOSCO members have, or would like to have, that would aid in addressing serious current and emerging threats. C4 completed the survey in January 2021, and Committee 4 expects to publish a report in 2022 on its findings.

### Emerging Digital Threats

In 2019, Committee 4 launched an emerging digital threats (EDT) portal for IOSCO members. The portal is designed to provide information to help ordinary and associate members respond to the threats posed by emerging digital activities in global capital markets. IOSCO members have been posting materials on this topic to the EDT portal under three main headings:

- > Regulators' Actions in relation to crypto-asset schemes and other digital threats;
- > Articles on crypto-asset schemes and other digital threats;
- > Regulators' statements, guidelines and advisory notes

Committee 4 continues to encourage IOSCO members to populate the portal with their work in this area and to use the portal as a repository of information and materials to assist global securities regulators combat digital threats.

Committee 4's work on EDTs first focused on the risks arising from the marketing of, and investment in, crypto assets, but the committee agreed in 2021 to broaden the scope of its work on EDTs on the premise that wrongdoers will increasingly depend on new technologies to circumvent regulations.

### Credible Deterrence

Committee 4 published its report on *Credible Deterrence in the Enforcement of Securities Regulation* in 2015. The report identified seven factors that could deter misconduct in securities and derivatives markets in a credible way and encouraged regulators to consider these factors within their credible deterrence strategy.

In September 2020, Committee 4 agreed to review the report and update it, given the new technologies and products and growing cyber issues. The Committee expects to publish an updated report on Credible Deterrence in 2022.

### Board Sub-Group on Data Protection

The Board agreed in 2016 to set up a Board-level Sub-Group to develop, with the support of Committee 4 on Enforcement and the Exchange of Information, an IOSCO-wide strategy for addressing data protection issues arising from the European Data Privacy Regime, the General Data Protection Regulation (GDPR), that went into effect in May 2018.

Accordingly, the IOSCO Subgroup and the European Securities and Markets Authority (ESMA) negotiated with the European Data Protection Board (EDPB) an Administrative Arrangement (AA) for the transfer of personal data between European Economic Area (EEA) financial supervisory authorities and non-EEA supervisory authorities under the new data regime.

In February 2019, the EDPB agreed that the AA ensured appropriate safeguards for the transfer of personal data pursuant to the arrangement. The decision enabled the continued exchange of enforcement and supervisory information between EU and non-EU securities regulators under the IOSCO Multilateral Memorandum of Understanding, a key IOSCO enforcement tool.

In April 2019, the Chair of the Sub-group sent a message to IOSCO members informing them that the AA was ready for signing and encouraging members who needed to sign the AA to carefully go through the AA and the FAQs.

Since then, the IOSCO Secretariat has taken different steps to encourage members to sign the AA to guarantee their continued ability to exchange personal data between EEA and non-EEA authorities. In this regard, the Secretariat organized educational events to raise awareness about the impact of the GDPR on the exchange of information in the context of the IOSCO cooperation instruments as well as the role of the AA in that regard. In March 2021, the Secretariat organized an MMoU/EMMoU virtual workshop which featured a presentation on *Signing the Administrative Arrangement and the implications for the exchange of information with the EEA Authorities*.

As of the end of 2021, 58 IOSCO members had signed the AA (29 EEA authorities and 29 non-EEA authorities).

### Committee 5 on Investment Management

#### ETF Work

In 2019, Committee 5 undertook a project to identify the underlying risks and regulatory issues linked to the growth in Exchange Traded Funds (ETFs).

After providing the Board with a Thematic Paper on ETFs in late 2019, the Committee's Core Research Group published in August 2021 a thematic note examining the behavior of ETFs during the COVID-19 induced market stresses in 2020. The report reviewed the operation and activities of the primary and secondary markets of ETFs during the turmoil. It also explored the impact of the stress on the ETF structure and functioning and the causes of the pricing differences between some fixed income ETFs' secondary market prices and their net asset values (NAVs), and it described challenging circumstances for some derivatives-based ETFs.

Overall, available evidence did not indicate any significant risks or fragilities in the ETF structure, although a subset of ETFs temporarily experienced unusual trading behaviors.

In 2021, the Committee began work on a consultation paper on good practices for IOSCO members, asset managers and trading venues to consider in the operation and trading of ETFs, to supplement the 2013 Principles for the Regulation of ETFs. As part of this work, IOSCO also examined market liquidity issues affecting corporate bond markets under stress. IOSCO consulted publicly on these proposals in early 2022.

#### Leverage in Investment Funds and the IOSCO Investment Funds Statistics Report.

In 2017, the FSB issued recommendations on structural vulnerabilities in investment funds. A key recommendation was to better understand the use of leverage in investment funds. Consequently, the FSB called on IOSCO to develop consistent measures of leverage and to collect data based on these metrics.

Move forward two years: In 2019, IOSCO published its report *Recommendations for a Framework Assessing Leverage in Investment Funds*<sup>5</sup>, which outlined a two-step framework for member jurisdictions to implement as a way to assess the leverage risk of the investment fund industry. Recommendation 4 asked IOSCO to collect, on an annual basis, leverage metrics and other data points to help inform a global assessment of risk in the investment fund industry, leverage levels among them.

In 2020, C5 established a sub working group to determine which data points IOSCO should collect to obtain a meaningful view of leverage and leverage-related risk in investment funds. This work culminated in the development of a data collection template that 1)

ensures consistency of data collected from the current national-level data collection regimes already in place (for example, AIFMD, NPORT and Form PF), but 2) acts as a *public good* by providing IOSCO members that do not yet collect data a baseline template of key data points for them to consider collecting.

Based on this template, in 2021, the first global collection of investment funds data took place and culminated in the first *Investment Funds Statistics Report*. This report is a unique product in investment funds risk reporting as it is the only global level report based on supervisory data. While the report is only in its infancy, the quality of reporting and the insights gained at this early stage are already illuminating. For example, in aggregate, leverage levels in open-ended mutual funds is negligible when compared to hedge funds. However, even leverage in hedge funds is not as high as that on the balance sheet of other market participants.

In the coming years, IOSCO hopes to encourage more members to participate, which will improve the efficacy of the exercise. By doing this annually, IOSCO will be able to eventually build a picture across time of the change in leverage across the global investment funds industry.

<sup>5</sup> Recommendations for a Framework Assessing Leverage in Investment Funds, Report of the IOSCO Board, December 2019, at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD645.pdf>

### Index Providers

Committee 5 created a working group in 2019 to review conduct issues related to index providers. The committee conducted a survey of its members to identify, among other things, potential conflicts of interest involving index providers and the impact of administrative errors on funds. Though the Board declared this work a priority, it agreed in April 2020 to delay the project to dedicate more time and resources to issues stemming from the COVID-19 pandemic.

The Board resumed work on Index Providers in first quarter 2021. Since then, the working group has issued a supplemental member survey to capture the experience of C5 members with index providers during the March 2020 market stresses. It also hosted two industry workshops in September 2021.

### The use of Artificial Intelligence and Machine Learning in asset management

Committee 5 created an AI/ML working group to contribute to the Committee 3 consultation and final reports on the use of AI/ML by market intermediaries. The working group provided input and expertise on the use of AI/ML in asset management. The final guidance

was published in September 2021 (*See IOSCO Cross-Committee Work for more information on AI/ML*).

### Committee 6 on Credit Rating Agencies

Committee 6 on Credit Rating Agencies (CRAs) contributed to IOSCO's cross-committee report on outsourcing. Its role was to understand how CRAs manage outsourcing and cloud computing and incorporate these activities in their organizational strategies and structure. (*See the section below on Cross-Committee Work for more information*).

Committee 6 has a watching brief status.

### Committee 7 on Derivatives

#### Review of the Principles for the Regulation and Supervision of Commodity Derivatives Markets

In November 2021, the IOSCO Board requested feedback from stakeholders on proposed revisions to its 2011 *Principles for the Regulation and Supervision of the Commodity Derivatives Markets*.

The revised Principles, prepared by IOSCO Committee 7 on Derivatives, seek to ensure that commodity derivatives markets continue to facilitate price discovery



and hedging, while remaining free from manipulation and abusive practices.

In recent years, commodity derivatives markets have evolved, shaped by new trading venues, the growing role of unregulated firms in these markets and the increasing need to strengthen cyber-security and operational resilience.

Accordingly, Committee 7 in 2020 analyzed the impact of these developments on commodity derivatives markets to determine if the Principles continue to serve as a framework for the regulation of commodity derivatives markets and then to revise them, as necessary.

The final updated Principles will assist relevant Market Authorities in constructing an appropriate regulatory and supervisory approach that furthers IOSCO's objectives and fosters proper conduct in commodity derivatives markets.

#### OTC derivatives post-trade service providers

A key objective of this joint project is for IOSCO to review, update and consolidate the existing IOSCO material on outsourcing. Committee 7 participated in this work to determine the role of post-trade service providers and the relevant services provided to derivatives and assess the risks they pose to the financial system.

Committee 7 focused on six third-party service areas: trade matching and confirmation service providers, portfolio reconciliation service providers, portfolio compression service providers, collateral management service providers, trade reporting service providers and credit limit check service providers. (See the section below on Cross-Committee Work for more information).

#### Project on Risk Reduction Services

In December 2021, the IOSCO Board approved a mandate for Committee 7 to assess the possible risks associated with market participants' increased use of risk reduction services and the growing concentration of third-party risk reduction service providers.

The project focuses on portfolio compression and counterparty risk optimization services operating in the OTC derivatives markets.

#### Committee 8 on Retail Investors

Established in June 2013, the Committee on Retail Investors (C8) has a primary mandate to conduct IOSCO's policy work on retail investor education and financial literacy. It has a secondary mandate to advise the IOSCO Board on emerging retail investor protection matters and to conduct investor protection policy work as directed by the Board.

#### Policy Work

In January 2021, Committee 8 published a final report examining how IOSCO members handle investor complaints and apply redress mechanisms. The objective was to provide IOSCO members with a resource of information to assist them when addressing these issues in their jurisdictions. The report offers a comparative analysis of informal complaint handling processes used by financial service providers and regulators; alternative dispute resolution; and formal legal complaint handling for investors pursuing claims for money damages and other remedies.

The report also includes nine Sound Practices to assist jurisdictions seeking to develop or enhance their complaint handling mechanisms and make them more user-friendly. It also serves to assist jurisdictions seeking to identify and address gaps in their complaint handling and redress systems.

#### Impact of COVID-19 on investor behavior and investor education

The Board approved the project specification for this work in July 2021. The main objective is to assist IOSCO members in better understanding retail investor trends, vulnerabilities and behavior during periods of crisis and enable them to implement better investor protection and educational measures, including fraud prevention. For this work, Committee 8 is collaborating with the IOSCO Retail Market Conduct Task Force (RMCTF).

#### Development of retail investor education tools in the context of sustainable finance markets and products

In mid-year, Committee 8 began work on a project to identify sound practices and methods for providing investor education on sustainable finance to retail investors, which includes educational material and examples of relevant experiences by C8 members in this area. Committee 8 coordinated with the Sustainable Finance Task Force (STF) on this work.

#### World Investor Week

IOSCO held its fifth World Investor Week from 4 to 10 October 2021 (some jurisdictions conducted WIW-related activities in the October-November period, due to their circumstances during the Covid-19 pandemic). Securities regulators, stock exchanges, international organizations, investor associations and other IOSCO

stakeholders from jurisdictions around the world participated in this campaign in favor of financial literacy and investor education and protection. Coordinated by Committee 8, this annual event serves to raise awareness worldwide about the importance of investor education and protection. Activities during the week range from workshops and conferences to local and national investor education campaigns, games and contests.

In addition to highlighting the importance of investor education and protection, a key objective of the WIW is to help investors understand and respond to rapid technological change and the challenges posed by increasingly interconnected financial markets.

The 2021 WIW provided key messages on two main themes: 1) sustainable finance, and 2) frauds and scams prevention. These messages complement those of previous IOSCO WIW editions regarding online investing, digital learning, and the basics of investing, all of which were reiterated during the 2021 campaign.

#### Information-sharing Networks

##### Networks

A growing body of IOSCO work draws on the expertise of various policy committees and/or Task Forces, as regulators find it increasingly useful to examine pressing issues from various market perspectives. For IOSCO, this collaborative work provides a fuller picture of the risks and challenges that regulators, investors and other market participants face in a rapidly changing financial landscape. In addition to cross-committee work, IOSCO members also shared information and expertise regarding Fintech, Initial Coin Offerings and sustainability through IOSCO networks.

##### Fintech Network

The IOSCO Board established the Fintech Network in May 2018 to bring together specific Fintech expertise under a single umbrella structure, enable members to share information and experiences and present substantive issues to the Board. Its activities are overseen by a Steering Group comprised of Board members.

The network agreed to focus on four priority themes: (1) distributed ledger technology and its applications within a securities market context, (2) artificial intelligence and machine learning (3) regtech and suptech (coding of regulations and machine-readable rulebooks) and (4) the lessons learned by members in encouraging innovation.

In late 2020, the Fintech Network initiated a new workstream on decentralized finance. During 2021, the network prepared a report offering a comprehensive review of the fast-evolving DeFi market, its new products, services and principal participants, which it published in March 2022.

### Initial Coin Offering (ICO) Consultation Network and Digital Asset Offering Support Framework

The ICO Consultation Network, established in September 2017, facilitates the sharing of information among members on digital currencies and tokens and their regulatory responses to issues that emerge.

In May 2018, the Board agreed to develop a Support Framework to assist members as they address domestic and cross-border issues stemming from initial coin offerings that could impact investor protection or market integrity. To further build regulatory capacity in this area, the Support Framework collects materials to assist members in looking beyond the marketing labels

of ICOs to focus on the substance of these offerings.

As part of IOSCO's reprioritization exercise during the Covid-19 pandemic, the Board put the project on hold in April 2020. Later, IOSCO resumed this work, and published for members only an updated Digital Asset Offering Support Framework in September 2021.

### Sustainable Finance Network (SFN) and Board-level Sustainable Finance Task Force (STF)

IOSCO created the Sustainable Finance Network (SFN) in October 2018 as a forum for members to discuss sustainability matters. Given the growing importance of sustainable finance, the Board agreed at its meeting in November 2020, that the SFN should explore the following areas in 2021 and beyond:

- > Pathways to mandatory disclosure beyond comply or explain requirements,
- > Engaging with the IFRS Foundation to ensure that any proposals stemming from the IFRS

consultation paper met securities regulators' expectations both in terms of content and governance, and

- > Advancing discussions regarding the establishment of an assurance framework for sustainability disclosures.

### SFN Work

In 2021, IOSCO became a driving force in sustainable finance, bolstered by the SFN's far-reaching review of the global initiatives on sustainable finance undertaken by other international bodies and associations, regulators and policy fora.

In April 2020, SFN issued the report on *Sustainable Finance and the Role of Securities Regulators*, which highlighted three main areas of recurring concern in sustainable finance:

- > Multiple and diverse sustainability frameworks and standards,
- > Lack of common definitions of sustainable activities, and

- > Greenwashing and other investor protection challenges.

The report indicated that many issuers and asset managers operating cross border are subject to different regulatory regimes or participate in multiple regional or international third-party initiatives. It found that this wide variety of regulatory regimes and initiatives, often with inconsistent objectives and requirements, may prevent stakeholders from fully understanding the risks and opportunities that sustainable business activities entail.

The report also underscored IOSCO's commitment to playing a driving role in the development of sustainable finance. To address the concerns identified by the SFN during its work on the report, the IOSCO Board agreed in February 2020 to establish a Sustainable Finance Task Force.

### STF Work

The STF focused its efforts in 2021 on delivering its mandate to improve investor protection and



market transparency in this area. A key objective of IOSCO was to avoid having differing sustainability reporting frameworks impede the ability of investors to compare disclosures, thereby undermining their ability to allocate capital efficiently and giving rise to greenwashing. To fulfill its mandate, the IOSCO STF launched the following three workstreams, ahead of the 2021 United Nations Climate Change Conference (COP26), where IOSCO presented its work on all three sustainable finance projects.

- > Sustainability-related disclosures for issuers (WS1): Final report published in June 2021;
- > Sustainability-related disclosures for asset managers, to fight greenwashing (WS2): Final report published in November 2021; and
- > ESG ratings and data product providers (WS3): Final report published in November 2021.

In addition to these reports, IOSCO released several public statements and communiqués in 2021 confirming its commitment to protect investors and increase transparency in sustainable finance, including the following:

- > IOSCO's statement on the urgent need for globally consistent, comparable and reliable sustainability disclosure standards and announcing its priorities and vision for an International Sustainability Standards Board under the IFRS Foundation.
- > IOSCO's announcement of the establishment of a Technical Experts Group to undertake an assessment of the technical recommendations to be developed as part of the IFRS Foundation sustainability project.
- > IOSCO's statement on its vision and expectations for the IFRS Foundation's work to set forth a global baseline of investor-focused sustainability standards to improve the global consistency, comparability and reliability of sustainability reporting.
- > IOSCO Press release entitled IFRS Foundation's *International Sustainability Standards Board on the Right Track, says IOSCO*

## SPAC Network

The IOSCO Board agreed in June 2021 to establish the IOSCO SPAC Network to facilitate information sharing among members on Special Purpose Acquisition Companies- financial vehicles that may offer alternative sources of funding and provide opportunities for investors but also raise regulatory concerns.

The SPAC network held its first meeting in July 2021 to discuss with members their regulatory initiatives and analyze the regulatory issues raised by SPACs. The SPAC network held a meeting with stakeholders in December 2021 to gain a wider understanding of the issues raised.

## Cross-Committee Work

### Outsourcing and Third-party Suppliers

In October 2021, IOSCO published a set of updated outsourcing principles for regulated entities that outsource tasks to service providers. Since the publication of IOSCO's principles on outsourcing for market intermediaries in 2005 and for markets in 2009, new developments in markets and technology have drawn regulatory attention to the potential risks related to outsourcing and the need to ensure the operational resilience of regulated entities. The application of the updated principles was expanded to include trading venues, market participants acting on a proprietary basis, credit rating agencies and financial market infrastructures.

A cross-committee approach to this work sought to bring consistency to IOSCO's principles across sectors while ensuring that those principles remain consistent over time. An IOSCO analysis indicated that a growing number of market participants, trading venues, credit rating agencies and market infrastructures were outsourcing critical services and other tasks to third-party providers, often to reduce costs or improve competitiveness in today's increasingly automated and interconnected markets.

Committee 2 on the Regulation of Secondary Markets, Committee 3 on the Regulation of Market Intermediaries, Committee 6 on Credit Rating Agencies (CRAs) and Committee 7 on Derivatives, began work in 2018 to examine the risks associated with the use of third-party service providers. In 2019, each of the participating committees examined the role of third-party service providers in its area of specialization to evaluate where the existing IOSCO Principles might not adequately address recent developments and to update them where appropriate.

The drafting group, comprised of representatives from these four committees, prepared a consultation report published in May 2020.

The revised principles comprise a set of fundamental precepts and seven principles. The fundamental precepts cover issues such as the definition of outsourcing, the assessment of materiality and criticality, their application to affiliates, the treatment of sub-contracting and outsourcing on a cross-border basis. The seven principles cover the following areas:

- > Due diligence in the selection and monitoring of a service provider
- > The contract with a service provider
- > Information security, business resilience, continuity and disaster recovery
- > Confidentiality Issues
- > Concentration of outsourcing arrangements
- > Access to data, premises, personnel and associated rights of inspection
- > Termination of outsourcing arrangement

## Operational Resilience

The COVID-19 pandemic provided an opportunity for IOSCO to examine the operational resilience of trading venues and market intermediaries and ensure they were prepared for future operational disruptions. The pandemic increased cyber security risks, accelerated the use of existing, new and emerging technologies and disrupted outsourcing arrangements, among other things.

Committees 2 on the Regulation of Secondary Markets and 3 on the Regulation of Market Intermediaries worked together in 2021 on a consultation paper describing the lessons learned from the operational resilience of trading venues and market intermediaries during the pandemic. The report was published in January 2022.

The report defines operational resilience as the ability of a regulated entity to deliver critical operations through a disruption. The pandemic highlighted opportunities to learn how to further improve regulated entities' operational resilience. The report identifies lessons learned from the pandemic to help inform regulated entities' future operational resilience arrangements. The previous IOSCO operational resilience principles, recommendations and guidance provide the core structure for regulated entities and regulators when considering operational resilience, and the findings in this report suggest this framework has worked well.

However, the pandemic highlighted opportunities to learn lessons on how to further improve regulated entities' operational resilience. The report therefore set out some observations and identifies lessons learned

from the pandemic to help inform regulated entities' future operational resilience arrangements.

As part of its work to address financial stability issues, the IOSCO Board-Level Financial Stability Engagement Group examined the resilience of different elements of capital market activity such as money-market funds, CCPs and corporate bonds.

## The Use of Artificial Intelligence and Machine Learning (AI/ML) in the Context of Market Intermediaries and Asset Managers

The core focus of the AI/ML guidance published jointly by Committee 3 on Regulation of Market Intermediaries and Committee 5 on Investment Management in September 2021 is on systems and controls for the general use of Artificial Intelligence (AI) and Machine Learning (ML) by market intermediaries and asset managers.

Committees 3 and 5 sought to identify potential issues stemming from the use of AI and ML and the existing rules or guidance in member jurisdictions, as well as supranational rules, following publication of a consultation report on proposed guidance in June 2020, to which IOSCO received 21 responses.

To inform their work, the two committees also conducted a survey of firms (Committee 3) and organized industry roundtables and bilateral engagements (Committee 5) to determine the extent to which market intermediaries and asset managers deploy AI and ML (AIML) and to identify the potential issues and risks stemming from the use of AIML.

The guidance aims to assist IOSCO members in establishing appropriate regulatory frameworks to supervise market intermediaries and asset managers that use AI/ML. It consists of six measures that reflect the standards of conduct expected of intermediaries and asset managers when using this technology. The six measures relate to senior managerial responsibility; testing and monitoring of the algorithm; adequate skills, expertise and experience at the firm level; managing relationships with third-party providers; disclosure on the use of AI and ML; and data sufficiency and quality.

## Leveraged loans and CLO

In February 2020, the IOSCO Board approved a mandate for Committee 3 on Regulation of Market Intermediaries and Committee 5 on Investment

Management on *Conduct Issues Leveraged Loans Collateralized Loan Obligations Markets*, following the exponential growth of these markets. Corporate debt and leveraged loans were deemed a Board priority in 2020, 2021 and 2022.

The project focused on the potential conflicts of interest and misalignment of incentives along the intermediation chain, from credit origination to the sale of leverage loans and collateralized loan obligations (CLO) to end-investors. It also examined disclosures, market transparency and investor due diligence regarding CLOs and leveraged loans. The objective was to explore the appropriateness and accuracy of information on the quality of the underlying loans available to the CLO managers, the degree of due diligence exercised by the CLO managers and the accuracy of the information disclosed to CLO investors.

LLs and CLOs markets have historically had low default rates and performed well during the financial crisis; however, their structure has evolved since the Great Financial Crisis, as they experienced significant growth, giving rise to questions as to whether fundamental market changes combined with potential conduct-related issues may give rise to market integrity, counterparty and investor protection-related risks.

To help inform this work, Committees 3 and 5 asked bank lenders, CLO investors, CLO managers and LL sponsors to complete surveys in May 2021. The questionnaires sought to determine where potential conflicts of interest and conduct issues may exist and how the respective market participants manage them.

The two committees presented a joint report to the Board in January 2022 reviewing the drivers of potential conduct risks in the LL and CLO markets and their impact on investor protection, market integrity and financial stability.

### Retail Distribution and Digitalization

The IOSCO Board identified *Retail distribution and digitalization* as one of its five priorities for 2019, 2020 and 2021. As with the previous IOSCO work on Retail OTC Leveraged Products, published in 2018, Committee 3 on the Regulation of Market Intermediaries and Committee 4 on Enforcement and the Exchange of Information are collaborating on this project. For the earlier report, Committees 3 and 4 also collaborated with Committee 8 on Retail Investors, which contributed a toolkit with material to educate investors about the risks of OTC leveraged products.

As the internet and social media are changing how financial products are promoted and distributed, providing new opportunities for the cross-border distribution of financial services, the Board decided to approve a mandate for work in this area.

The follow-up project looks at the broader issue of marketing and distributing financial products and services online, including new and high-risk products such as crypto assets, by registered and unregistered persons and entities to retail investors in both a cross-border and domestic context.

Committee 4 is examining the cross-border enforcement angle of digitalization and the challenges it raises. Committee 4 has contributed sections to the report, including an enforcement toolkit for responding to increasing digitalization of financial and investment services and products.

In January 2022, IOSCO published a consultation report with proposed measures to assist members in adapting their regulatory and enforcement approaches to meet the challenges posed by digitalization of retail marketing and online activities.

## Task Forces

### Board Level Task Force on Financial Benchmarks

Benchmarks play a key role in the financial system's core functions of pricing and allocating capital and risk. They impact enormous volumes of credit products (e.g., loans, mortgages, structured products, short-term money market instruments and fixed income products) and derivatives. Additionally, they are used in trade finance, valuation, accounting and taxation.

IOSCO's Board-level Task Force on Financial Benchmarks, created in 2012, has been at the center of global efforts to address the issues revealed by a series of benchmark manipulation scandals in 2012. In July 2013, IOSCO published the *Principles for Financial Benchmarks*, which create an overarching framework of 19 Principles for benchmarks used in financial markets, covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. The Principles are a set of recommended practices for benchmark administrators and submitters. They were endorsed by the G20 leaders at their St Petersburg Summit in 2013 as global standards for financial benchmarks and continue to serve as guidance to jurisdictions globally.



Since publication of the Benchmark Principles in 2013, IOSCO has conducted several reviews of their implementation and issued guidance aimed at helping Benchmark Administrators increase the consistency and quality of the reporting on their compliance with the Principles.

The benchmarks reform carried out under the aegis of the Financial Stability Board Official Sector Steering Group (OSSG) seeks to ensure a smooth transition from the existing IBORs to alternative rates.

The transition away from the London Interbank Offered Rate or LIBOR remains a significant priority, given its widespread global use. Important progress was made on the reform in 2021 in anticipation of the expected cessation after the end of that year. To support the global transition to, and take up of, alternative Risk-Free Rates, IOSCO published statements in June and September, as part of the comprehensive communication and outreach program it launched in 2019 to raise awareness among end-users, the financial services industry and the media of the importance of following the necessary steps to avoid disruption during the transition away from LIBOR.

The FSB published a progress report in July 2021 for the G20 on LIBOR transition issues: recent developments, supervisory issues and next steps and issued statements to support a smooth transition away from LIBOR by end 2021. Following the end of certain LIBOR panels at the end of 2021, all market participants – both financial and non-financial firms across the globe – must now ensure they follow the necessary steps to avoid disruption. This requires halting issuance of new products linked to LIBOR and transitioning away from LIBOR in legacy contracts wherever feasible. Due to the widespread use of LIBOR around the world, steps to assess exposures, update processes and amend contracts must be taken by a very wide range of firms, across all jurisdictions. To support this process, the FSB released a global transition roadmap in October 2020 setting out the high-level steps firms needed to take in 2021 to complete their transition.

Due to concerns that some of LIBOR's shortcomings may be replicated through the use of credit sensitive rates that lack sufficient underlying transaction volumes, IOSCO, in coordination with the FSB Official Sector Steering Group (OSSG), published a statement in September 2021, stating that it will closely monitor Credit Sensitive Rates.

### Follow-up Group to the 2015 Cross-Border Regulation Task Force (FUG)

After identifying market fragmentation as an important priority for IOSCO, the Board approved a mandate in December 2018 for a Follow-Up Group (FUG) to continue the work of the 2015 Cross-Border Regulation Task Force.

In June 2020, the Follow-up Group published the report on *Good Practices on Processes for Deference* to assist regulatory authorities in mitigating the risk of unintended, regulatory-driven market fragmentation and to strengthen international cooperation. The report sets forth eleven Good Practices to help members establish efficient deference processes. The practices are underpinned by the philosophy that deference processes should be outcomes-based, risk-sensitive, transparent, sufficiently flexible and supported by strong cooperation.

To assist the FUG on fostering mutual understanding, each of the four IOSCO Regional Committees held its annual discussion on the subject and the four presented a consolidated version of their findings to the IOSCO Board in November 2021 alongside the AMCC Report on Market Fragmentation.

The FUG analyzed survey results from IOSCO members and drafted a report in 2021, setting out lessons learned from the current use of existing supervisory colleges and areas of possible improvement. The report also explores where else, within securities markets, supervisory colleges could be used to deepen supervisory cooperation. The report was published in January 2022.

### Board-Level Retail Market Conduct Task Force (RMCTF)

In February 2020, the IOSCO Board established the Board-level Retail Market Conduct Task Force (RMCTF) with two objectives. The first and immediate objective was to assist members in addressing retail market conduct challenges arising from the Covid-19 pandemic and greater market participation by retail investors. Accordingly, in December 2020, the RMCTF published a report that examines common retail misconduct risks and harms affecting the financial services industry and retail investors during the pandemic and sets out measures to help authorities respond to these challenging developments.

The medium-term work of the RMCTF was launched with a broad information and data gathering exercise through an IOSCO survey. The task force's second and more overarching medium-term objective has been to examine the trends giving rise to incidents of misconduct in retail markets and the regulatory approaches to address them.

During 2021, the task force worked on a Consultation Report published in early 2022. The Consultation Report provides a clear picture of the evolving global retail investor trends and their implications for market conduct. It examines the reasons for, and the regulatory and market implications of, increasing gamification, self-directed trading and the influence of social media on retail investor behavior and consults on the development of a possible regulatory toolkit for jurisdictions to consider when addressing emerging retail market conduct issues.

The Final Report will serve as a guide to help regulators around the world develop their approach to these evolving trends and related conduct challenges.

### Board-Level Financial Stability Engagement Group (FSEG)

In February 2020, the IOSCO Board set up the Board-Level Financial Stability Engagement Group (FSEG) to increase IOSCO's capacity to address financial stability issues and mitigate systemic risk in non-bank financial intermediation. During the period under review, the FSEG was jointly chaired by the US CFTC and the AMF France.

During 2021 FSEG oversaw a substantial program of work within IOSCO to review the lessons of the March-April 2020 period when markets and central banks responded to COVID-19. This work was done in parallel to a wider program of work conducted under the leadership of the Financial Stability Board to draw out lessons from those events for all aspects of global financial stability. IOSCO and leading IOSCO members sat on the relevant FSB working groups as well as conducting its own work.

This work covered Money Market Funds, Open Ended Funds and the clearing processes and was closely linked to work looking at bond markets, emerging markets and numerous other aspects of the financial market response to the realization that COVID-19 would have widespread economic impacts. The key

role of the FSEG was to ensure that the expertise of IOSCO's own expert panels from regulators around the world was effectively fed into the FSB process and that recommendations coming out of the FSB were consistent with the realities of securities regulation and securities markets around the globe.

One stream of this work completed in 2021 with the FSB report on *Policy Proposals to Enhance Money Market Fund Resilience*, published in October 2021, built on empirical examinations conducted by IOSCO of the behaviour of money markets during the March-April 2020 market events.

As part of the division of labor within the FSB-led work, IOSCO, under the guidance of the FSEG, also during this period, looked at the behaviors of corporate bond markets during March 2020. This work was still ongoing at the end of 2021, drawing on data gathered during earlier work analyzing the liquidity, structure and resilience of corporate bond markets during the 2020 market turmoil.

FSEG also oversaw IOSCO's engagement with the Committee on Payments and Market Infrastructures (CPMI) looking at CCP and *over-the-counter* margining practices. This work was also on-going at the end of 2021. In addition, work on drawing the lessons relevant to open-ended investment funds was on-going in 2021, and this work is expected to lead to policy conclusions in 2022.

In February 2021, IOSCO published a report analyzing the observed impact of COVID-19 related government support measures on the credit ratings of the three largest credit rating agencies - Fitch, Moody's and Standard & Poor's. The report summarized the observed impact of these measures through a review of changes made to the methodologies and their application to ratings. It highlighted the importance of continuing to consider the effects of the support measures on credit ratings during the duration of the pandemic.

In addition to reviewing events after the fact, FSEG also plays a key role whenever there is market turmoil in collating data from members and engaging with other FSB participants to make real time judgements on events and the dynamics in markets.

FSEG will continue to manage IOSCO's engagement with the FSB and to lead its internal work on all aspects of financial stability relevant to IOSCO's remit.

# Inter-Agency Work

## IOSCO work with the Bank for International Settlements

### BCBS-IOSCO Working Group on Margin Requirements

In 2011, the G20 Leaders called upon the Basel Committee on Banking Supervision (BCBS) and IOSCO to develop consistent global standards for margin requirements for non-centrally cleared derivatives, as part of the global financial reform agenda. In response, the BCBS and IOSCO released in September 2013 the final framework for margin requirements for non-centrally cleared derivatives. Under the globally agreed standards, financial firms and systemically important non-financial entities that engage in non-centrally cleared derivatives would be required to exchange initial and variation margin commensurate with the counterparty risks arising from such transactions. The framework was designed to reduce systemic risks related to OTC derivatives markets and to provide firms with appropriate incentives for central clearing and managing the overall liquidity impact of the requirements.

In February 2014, the BCBS and IOSCO approved the creation of a monitoring group - the Working Group on Margin Requirements (WGMR) - to evaluate the margin requirements and determine whether elements of the margin standards should be reconsidered. Recognizing the complexity and impediments in implementing the framework, the BCBS and IOSCO agreed in March 2015 to:

- > delay the implementation of requirements to exchange both initial margin and variation margin by nine months; and
- > adopt a phase-in arrangement for the requirement to exchange variation margin.

The BCBS and IOSCO also asked the WGMR to continue monitoring progress in implementation to

ensure its consistency across products, jurisdictions and market participants. At the end of 2015 and again in early 2017, the WGMR submitted a progress report on implementation based on its monitoring work during 2015 and 2016. The WGMR continued monitoring the global standards in 2018 and 2019. Based on the WGMR monitoring, in March 2019, IOSCO and the BCBS provided some guidance to support the timely and smooth implementation of the framework and to clarify its requirements. In addition, in July 2019, the BCBS and IOSCO revised the margin requirements framework to extend by one year the final implementation phases of the margin requirements.

Finally, in April 2020, due to the significant challenges posed by Covid-19, IOSCO and the BCBS agreed to extend the deadline<sup>6</sup> for completing the final two implementation phases of the BCBS-IOSCO framework for margin requirements for non-centrally cleared derivatives by one year. This extension was aimed at providing additional operational capacity for firms to respond to the immediate impact of Covid-19 and, at the same time, facilitate covered entities to act diligently to comply with the requirements by the revised deadline. With this extension, the final implementation phase will take place on 1 September 2022, at which point covered entities with an aggregate average notional amount (AANA) of non-centrally cleared derivatives greater than €8 billion will be subject to the requirements. As an intermediate step, from 1 September 2021 covered entities with an AANA of non-centrally cleared derivatives greater than €50 billion are subject to the requirements.

### IOSCO work with the Committee on Payments and Market Infrastructures (CPMI)

CPMI and IOSCO work together to enhance the coordination of standard and policy development and implementation related to clearing, settlement and reporting arrangements, covering financial market infrastructures (FMIs) worldwide. FMIs, which include systemically important payment systems (PSSs), central

counterparties (CCPs), trade repositories (TRs), central securities depositories (CSDs), and securities settlement systems (SSSs), play an essential role in the global financial system. The disorderly failure of an FMI could lead to severe systemic disruption if it caused markets to cease to operate effectively.

### Policy work on CCP risk

In October 2021, CPMI-IOSCO published the consultative report *Application of the Principles for Financial Market Infrastructures to stablecoin arrangements*.<sup>7</sup> The consultative report contains preliminary guidance to facilitate observance of the Principles for Financial Market Infrastructures by stablecoin arrangements.

In November 2021, CPMI-IOSCO issued for public consultation the report *A discussion paper on client clearing: access and portability*.<sup>8</sup> The consultative report focuses on access to CCP clearing and portability of client positions. In particular, it describes the potential benefits and challenges of new models to access CCP clearing – which allow clients to directly access CCP services and discusses good practices to facilitate porting of clients' positions in case their client clearing service provider defaults.

### Other CPMI-IOSCO Work

#### Implementation Monitoring of the PFMI

During 2021, the CPMI-IOSCO Implementation Monitoring Standing Group (IMSG) continued the

process of monitoring implementation of the PFMI. Consistent with the G20's expectations, CPMI and IOSCO members have committed to adopting the 24 principles (the Principles) and the five responsibilities for authorities (the Responsibilities) included in the PFMI. Full, timely and consistent implementation of the PFMI is fundamental to ensuring the safety and soundness of key FMIs and to supporting the resilience of the global financial system. In addition, the PFMI are an essential part of the G20's mandate stipulating that all standardized OTC derivatives should be centrally cleared, and all OTC derivative contracts reported to trade repositories.

The IMSG implementation monitoring program includes 28 participating jurisdictions from a diversity of regions and from both developed and emerging market economies.<sup>9</sup> The PFMI implementation monitoring work is conducted at three levels:

Level 1 assessments are based on self-assessments by individual jurisdictions on their progress in adopting the legislation, regulations and other policies (together referred to as implementation measures) that will enable them to implement the PFMI. Following the initial Level 1 assessment report, published in August 2013, the IMSG has conducted several annual updates. The most recent update (eighth update) was released on 25 May 2021 (with information as of January 2021). Based on the information provided by the authorities and the analysis made by the IMSG, the following changes in jurisdictional ratings were made (showing that 26 out of the 28 participating jurisdictions have adopted the respective implementation measures):

#### Summary of updates between the January 2021 update and the 2020 update\*

Jurisdiction	Principles				Responsibilities			
	PSSs	CSDs & SSSs	CCPs	TRs	PSSs	CSDs & SSSs	CCPs	TRs
Argentina	4	3 / 4	3	4	4	4	4	4
Chile	4	4	4	[3] 4	4	4	4	[3] 4
US	4	4	4	1 / 4	4	4	4	4

Legend: [y]: Ratings in the previous (2020) update    x: Ratings modified in this (2021) update

\* When FMIs within an FMI type are under different authorities' jurisdictions and the implementation status varies depending on the jurisdiction, a split rating is assigned.

<sup>7</sup> Available at CR03/2021 Application of the Principles for Financial Market Infrastructures to stablecoin arrangements (iosco.org)

<sup>8</sup> Available at CR06/2021 A discussion paper on client clearing: access and portability (iosco.org)

<sup>9</sup> Argentina, Australia, Belgium, Brazil, Canada, Chile, China, the European Union, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

<sup>6</sup> Available at <https://www.iosco.org/news/pdf/IOSCONEW560.pdf>

Following the release of the Fifth update in July 2018, the IMSG discontinued publication of Level 1 reports and moved to a Level 1 online tracker (introduced on 14 March 2019) which is available on the IOSCO and the CPMI websites. The Level 1 online tracker presents:

- > a general description of the Level 1 rating methodology;
- > a tracker on the self-reported responses for the Principles (since 2013 up to the current year);
- > a table summarizing the jurisdictions' self-reported responses for the Principles and a table summarizing the jurisdictions' self-reported responses for four of the Responsibilities;
- > world maps showing, with different colors, the progress made by jurisdictions.

The next update to the Level 1 information will be conducted in December 2022-January 2023.

*Level 2 assessments.* In parallel with the Level 1 assessments, CPMI-IOSCO conducts Level 2 assessments. These are peer reviews that seek to determine the extent to which the content of the jurisdiction's implementation measures, as reported at Level 1, is complete and consistent with the PFMI. These Level 2 assessments allow the IMSG to identify gaps or shortcomings in the implementation measures against the respective Principles in the PFMI.

In 2021 the IMSG continued with the assessment of Turkey (covering all FMI types) and the EU (covering PSs and CSDs/SSSs). These assessments experienced some delays due to the challenges posed by the COVID-19 global pandemic. Also, based on the reprioritization of the work agreed on by the Steering Group, the Level 2 program was paused, which in practice put on hold the launching of the assessment of the jurisdictions that were still to undergo a Level 2 assessment.

*Level 3 assessments* are peer reviews to examine the consistency in the outcomes arising from the implementation of the Principles, noting any variation in outcomes across FMIs in various jurisdictions. They are thematic in nature. The output from the Level 3 assessments are narrative-based reports.

In June 2019, the IMSG started a Level 3 assessment on *Business Continuity Planning*, focused on aspects of Principle 17 (operational risk). Thirty-eight FMIs (covering all FMI types) from 29 jurisdictions participated in this L3 assessment in 2020. In April 2020, the IMSG delivered the internal report to the Steering Group, which requested to discuss further some

of the findings and include, for information purposes, some references to the way that FMIs addressed the Covid-19 situation. The Steering Group approved the final internal (non-public) report on 13 October 2020 and then instructed the IMSG to prepare a proposal for an external version of the report for 2021. The report on Level 3 assessment of FMIs' business continuity planning was published on 21 July 2021.

The report found that all the surveyed FMIs have operational reliability objectives, focusing on system availability and recovery time. FMIs reportedly review their business continuity plans at least annually and test them regularly. However, the report found that some FMIs do not fully meet expectations with respect to recovery from operational incidents, such as natural disasters or IT systems outage. In particular, the business continuity management of some, and potentially many, FMIs do not seem to aim to resume operations in a timely way, including in the event of a widescale or major disruption. This is a serious area of concern and the CPMI and IOSCO expect the relevant FMIs and their supervisors to address this as a matter of the highest priority.

Although the survey of FMIs was carried out before the Covid-19 pandemic, all FMIs said their business continuity plans included a pandemic scenario. To complement this information, the report includes a high-level summary of FMIs' actual responses to Covid19 in some member jurisdictions. The summary outlines that overall, FMIs have not experienced service disruptions during the pandemic.

In December 2020, the IMSG launched a Level 3 assessment on Cyber Resilience. This assessment is focused on Principles 2 (governance), 3 (management of risks), and 17 (operational risk) and informed by the Guidance on cyber resilience for financial market infrastructures ("Cyber Guidance"), in particular in the areas of governance, learning/evolving, and testing. 37 FMIs from 29 jurisdictions were participating in the assessment in 2021, covering all FMI types (systemically important Payment Systems (PSs), Central Counterparties (CCPs), Central Securities Depositories CSDs / Securities Settlement Systems (SSSs), and Trade Repositories (TRS). The internal (non-public report) will be delivered to the Steering Group in 2022.

### Other points of note

The IMSG produced a Level 2 Handbook in September 2019, which is designed to facilitate a consistent

approach to conducting Level 2 assessments in a way that is sufficiently general to accommodate differences in institutional factors and implementation measures across jurisdictions. It is also intended to be flexible in incorporating lessons learned and evolving practices from past and future jurisdictional assessments, which may result in future revisions or elaborations to the handbook.

The IMSG also produced a Level 2 database (available on the CPMI and IOSCO websites since May 2019). It is a repository of all assessments completed to date. The database contains relevant implementation measures, ratings, gaps and recommendations. It complements the assessment reports. This database will be updated as new Level 2 assessments are completed.

The Level 2 PFMI implementation database facilitates:

- > searching the information by jurisdiction, by FMI type, by Principle or Key Consideration, by Rating at Principle level;
- > comparing such information across jurisdictions, across FMI types, and across Principles.
- > Understanding the use of the database through a tutorial video on how to use the Level 2 PFMI implementation database.

Finally, since January 2019, the IOSCO website has a dedicated CPMI-IOSCO page<sup>10</sup> with updated information on the PFMI implementation monitoring work.

### CPMI - IOSCO Working Group on Cyber Resilience (WGCR)

The CPMI-IOSCO Working Group on Cyber Resilience (WGCR) was established in 2014 and explores ways to help both authorities (regulators, overseers) and FMIs to enhance cyber resilience. The WGCR encourages information sharing among FMI regulators and promotes swift adoption of the WGCR Guidance on cyber resilience for financial market infrastructures (Cyber Guidance), published in June 2016.

The Cyber Guidance was issued to add momentum and international consistency to the industry's ongoing efforts to enhance FMIs' ability to pre-empt cyber-attacks, respond rapidly and effectively to them and achieve faster and safer target recovery objectives. This guidance represents the first set of internationally

agreed principles in financial markets to support oversight and supervision of cyber resilience.

Recently, the focus of the WGCR has shifted from policy development to promoting progress (e.g., by engaging with industry to advance the cyber resilience of FMIs), coordinating with other relevant international cyber groups or standard-setting bodies and collaborating with the IMSG to monitor the implementation by FMIs of the PFMI regarding cyber resilience.

In 2021, the WGCR continued interactions with the IMSG on the assessment of the Cyber Guidance.

### BCBS-CPMI-IOSCO – Work on margin practices

The BCBS, CPMI and IOSCO established an ad hoc group, the Joint Steering Group on Margins (JSGM) - as part of the Financial Stability Board's (FSB's) work program on non-bank financial intermediation (NBFI) -, to examine the margin calls in March and April 2020, margin practice transparency, predictability and volatility across various jurisdictions and markets, as well as market participants' liquidity management preparedness to meet margin calls. In October 2021, the JSGM published the consultative report "Review of margining practices".<sup>11</sup> The consultative report presents a data-driven analysis of margin calls in March and April 2020 and finds that there was a broad and rapid increase in margin calls across the financial system in March 2020, with an overall increase in centrally cleared initial margin, while non-centrally cleared initial margin remained relatively stable.

The consultative report also identifies six potential areas for further policy work.

### Joint work by BCBS, CPMI, FSB and IOSCO

#### Financial Stability Board - Working Group on Cyber Incident Reporting (CIR)

IOSCO is a member of the FSB working group on Cyber Incident Reporting (CIR) established in December 2020. The group is working on cyber incident reporting and, in particular, reducing fragmentation in cyber incident reporting by: (i) building a common understanding of and monitoring the cyber incidents affecting financial institutions, (ii) supporting the efficient supervision of cyber risks at financial institutions; and (iii) facilitating the coordination and sharing of information relating to

<sup>10</sup> [https://www.iosco.org/about/?subsection=cpmi\\_iosco](https://www.iosco.org/about/?subsection=cpmi_iosco).

<sup>11</sup> CR04/2021 Review of margining practices (iosco.org)



cyber incidents among authorities. It is also updating the November 2018 FSB Cyber Lexicon. To that end, a survey was prepared and sent out in March 2021 and a final report was published and delivered to the October 2021 meeting of Finance Ministers and Central Bank Governors (FMCBG). This publication explored whether greater convergence in the reporting of cyber incidents could be achieved in light of increasing financial stability concerns. It has now been agreed that this work should be further developed to facilitate the greater harmonization of regulatory reporting of cyber, in particular by building a common understanding of cyber incidents to facilitate the coordination and sharing of information amongst authorities across sectors and jurisdictions. It has also identified a set of terms in the cyber lexicon to update and further develop.

### IOSCO Work with the Financial Stability Board

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. The FSB's prime objective is to promote international financial stability, particularly by coordinating efforts of national financial authorities and international standard-setting bodies.

To improve its engagement with the FSB and enhance its financial stability work, in 2020, IOSCO established a Board-level Financial Stability Engagement Group (FSEG). This group has improved the coordination with

the FSB, enabling IOSCO to engage more proactively on financial stability issues from a capital markets perspective. Moreover, its formation proved particularly timely given that the subsequent COVID-19 pandemic has given rise to financial stability risks.

The FSB also formed a Steering Committee on Non-bank Financial Intermediation (SCN) to provide strategic direction on NBF-related initiatives and ensure more effective coordination with standard-setting bodies such as IOSCO. The group brings together market regulators, macroprudential authorities and international organizations. IOSCO encouraged the development of this group, which has helped cement senior level collaboration between IOSCO and the FSB. The FSB's governance comprises a Plenary and a Steering committee as the decision-making bodies under which there are three standing committees:

- > The Standing Committee on Assessment of Vulnerabilities (SCAV);
- > The Standing Committee on Supervisory and Regulatory Cooperation (SRC);
- > The Standing Committee on Standards Implementation (SCSI).

IOSCO is an active member of all these committees and is represented in the FSB discussions by the IOSCO Chair, Vice-Chair, Secretary General and Deputy Secretary General. In 2020 IOSCO was actively engaging in the work of the FSB and had a greater influence in its collaborative work with the FSB

standing committees and, in particular, through the FSEG in IOSCO and the SCN in the FSB.

### Financial Stability Engagement Group (FSEG)

The timely creation of FSEG enabled IOSCO to play an important role in the international authorities and standard setting boards' initial response to the COVID-19 induced market turmoil and highlighted the benefits of a cooperative approach to addressing financial stability risks.

The FSEG conducted work in 2021 analyzing the COVID-19 government support measures and their impact on the Credit Rating Agencies' (CRA) ratings and rating methodology. In February 2021, IOSCO published the final report *Observed Impact of COVID-19 Government Support Measures on Credit Ratings*. The working group analysis focused on the impact of government support measures across the four main rating categories: sovereign, financial institutions, non-financial corporate and structured finance.

In late 2020, through Committee 5's Core Expert Group, the FSEG launched work examining the experience of open-ended funds (OEFs) during the COVID-19 induced market stresses. FSEG delivered an analysis of OEFs that experienced stress during the COVID-19 Induced Market Stresses in 2021 along with a joint report to the IOSCO Board and the FSB on liquidity risk and its management in OEFs.

### Ongoing FSB Work

In 2021, FSB work was heavily focused on key issues for IOSCO (many of which were also IOSCO Board priorities) in particular: financial benchmarks reform, asset management, crypto assets and stablecoins, cyber security and outsourcing and third-party relationships and the response to the COVID-19 pandemic. Some of the more important FSB working groups that IOSCO participated in during 2021 included:

- > **Cyber risk:** Cyber incidents pose a threat to the stability of the global financial system, and the remote working environments during the pandemic heightened the need for attention. To address these risks IOSCO has participated in the FSB working Group on Cyber Incident Response and Recovery (CIRR) which published a report in 2021.
- > **Crypto Assets:** In 2021 IOSCO continued to participate in the crypto-asset work and in particular the FSB Regulatory Issues on Stablecoins Group with the aim of providing a capital markets perspective to FSB work.
- > **Implementation:** IOSCO also engaged with the FSB Standing Committee on Standards Implementation (SCSI), which covers implementation monitoring activities of G20 and FSB recommendations.



### Report from the Chair of the Africa/Middle-East Regional Committee (AMERC)

**Mrs. Nezha Hayat**

- > Chair of the Africa/Middle-East Regional Committee
- > Chairperson and CEO of Autorité Marocaine du Marché des Capitaux (AMMC), Morocco

**Africa/Middle-East Regional Committee (AMERC) serves as a forum for its members to share their views on capital market developments and regulatory matters that affect the region.**

**The pandemic continued throughout 2021, creating new uncertainties and challenges for AMERC members. However, the crisis also gave rise to exciting new developments in the region as capital markets returned to a path of economic recovery.**

The year 2021 was immensely challenging for the world, especially for emerging market countries. However, I am impressed by AMERC members' solid and consistent commitment to surmounting the challenges they face. As we move forward, the Committee is gradually achieving its objectives, building capacity and leveraging the ongoing work conducted by IOSCO's various committees and task forces.

Due to the pandemic, AMERC members continued to forego physical meetings in 2021. Instead, AMERC organized a Webinar on Sustainable Finance, staged a meeting on market fragmentation, and finally, held its regular meeting during the IOSCO Annual Meeting.

#### AMERC's commitment to sustainable finance:

In 2020, AMERC agreed to make sustainable finance a focal point of its work program, which perfectly aligns with the IOSCO Board priorities and the needs of its members.

Catering to its these demands, AMERC organized a Webinar on Sustainable Finance on 22 April 2021, which provided an opportunity to:

- > Update members on IOSCO work on Sustainable Finance;
- > Facilitate the exchange of members' experiences;
- > Provide relevant insights and perspectives for developing sustainable finance in the region,

particularly in the context of recovery from the COVID-19 pandemic.

During this event, we emphasized the critical role that capital markets could play in providing funds to accelerate the development of green projects and the economy's recovery in general.

We were pleased to welcome Erik Thedéen, Chair of the IOSCO Board-level Sustainable Finance Task Force (STF) and Director General of Finansinspektionen (FI) Sweden, as the keynote speaker. Erik raised the issue of market fragmentation resulting from the hodge-podge of standards in this area and highlighted the private sector's strong desire for IOSCO to take the lead in this area. He recalled that sustainable finance is a top priority for IOSCO, as evidenced by the work and achievements of the STF.

The webinar featured two (2) roundtables. The first focused on the sustainable finance ecosystems in the region and the second on the post COVID-19 challenges and opportunities for Sustainable Finance.

#### AMERC's contribution to IOSCO's work:

In 2021, AMERC members demonstrated their commitment to strengthening the region's contributions to IOSCO projects. As part of its work on market

fragmentation, AMERC held a dedicated meeting on 3 June 2021. The discussion was part of the IOSCO Follow-Up Group (FUG) work to identify fragmentation and cross-border regulatory issues among IOSCO's Regional Committees.

At the meeting, Tokio Morita, co-chair of the FUG, introduced the discussion by presenting the FUG work and the Board's expectations concerning Regional Committee discussions. Karen Wuertz, Chair of the Affiliate Members Consultative Committee (AMCC), presented the summary of the AMCC report on market fragmentation, and Allison Parent, the Market Fragmentation Lead at the AMCC, highlighted the main findings of the report.

The outcome of the discussion was shared with the FUG to include in its annual report on market fragmentation. The notes highlight the key issues discussed during the meeting as well as AMERC's reflections and recommendations for fostering mutual understanding and cooperation, and therefore, to mitigate and reduce market fragmentation. These recommendations emphasize the essential role of the Regional Committees in IOSCO policy work, the importance of capacity building and of supervisory MoUs. They also suggest exploring the scope and application of a multilateral MoU for supervisory matters.

#### AMERC annual meeting:

On 10 November 2021, AMERC members met virtually during the week of the IOSCO Annual Meeting.

To keep AMERC abreast of the Board's work, the new IOSCO Secretary General, Martin Moloney, updated the members on the latest Board discussions addressing critical issues related to the Financial Stability Engagement Group (FSEG), the 2022 Risk Outlook, the work of the Sustainability Task Force (STF), market fragmentation and operational resilience, among other matters.



The meeting was also an opportunity to discuss two (2) essential topics for the region: *Challenges and opportunities for building Fintech ecosystem in the region* and *The impact of the pandemic on market listings* introduced, respectively, by CMA Kenya and CMA Saudi Arabia.

AMERC also made progress on the AMERC sustainability project during this meeting. We discussed completing an ESG study in the region in support of the international campaign in favor of sustainability. To align our efforts with international objectives, we plan to conduct a field study in 2022 to draw a map of ESG reporting practices in the region and then assess the members' readiness to adopt any new international standards, recommendations or practices.

#### The AMERC Newsletter: An effective mechanism to share experiences

As one of the main exchange mechanisms within our regional committee, the AMERC Newsletter provides multiple benefits for the members, namely:

- > Identifying subjects of common interest to members;
- > Learning about the trends and challenges in the region;
- > Sharing measures adopted to deal with regional issues;
- > Benchmarking and facilitating comparison with comparable jurisdictions.

Quarterly, the members share their experiences, views and insights on a specific topic. The idea is to zoom in on a particular trend in the region that requires more in-depth analysis.

In 2021, members exchanged views on their initiatives and achievements regarding three (3) topics: Sustainable Finance, FinTech and Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT).

#### Conclusion:

I would like to conclude by acknowledging the extraordinarily active participation and involvement of members in the work of AMERC and IOSCO. Thanks to this engagement, we have created synergies within the region and enjoyed fruitful discussions and exchanges in 2021. I am looking forward to continuing our work and building on the achievements attained in this year.

I also want to sincerely thank all the IOSCO Secretariat staff for their time and efforts to support and organize AMERC work. I am fully aware of the inclusive work aimed at making the regional issues and concerns heard and understood, both within IOSCO and beyond.



### Report from the Chair of the Asia-Pacific Regional Committee (APRC)

**Mr. Takashi Nagaoka**

- > Chair of the Asia-Pacific Regional Committee
- > Deputy Commissioner for International Affairs, Financial Services Agency, Japan

The Asia-Pacific Regional Committee serves as a forum for sharing information and promoting cooperation among securities market regulators in the Asia-Pacific region. The committee also provides a platform for APRC regulators to engage with their counterparts in other regions on cross-border issues and exchange views with the IOSCO leadership on work priorities.

The year 2021 started with the ongoing fight against the COVID-19 pandemic. While the degree and pace of the recovery varied within the region, APRC members continued to exchange views and experiences regarding the risks stemming from the pandemic as well as other emerging risks.

APRC held four plenary meetings in 2021 and two more in the first quarter of 2022, in which the members met virtually to discuss themes of interest to members across all of IOSCO, but also on a regional level. The agenda included COVID-19-related market trends, digital finance, sustainable finance and market fragmentation risks, among others.

To keep abreast of the developments at Board level, APRC invited the IOSCO Secretary General and Chairs of relevant IOSCO workstreams to update members on the latest Board discussions on key subjects such as the ongoing projects at the Financial Stability Engagement Group and the workplans of the Sustainable Finance Task Force (STF) and Fintech Task Force (FTF). APRC also enriched its discussions by organizing meetings with industry representatives in the Asia-Pacific region as well as the IFRS Foundation.

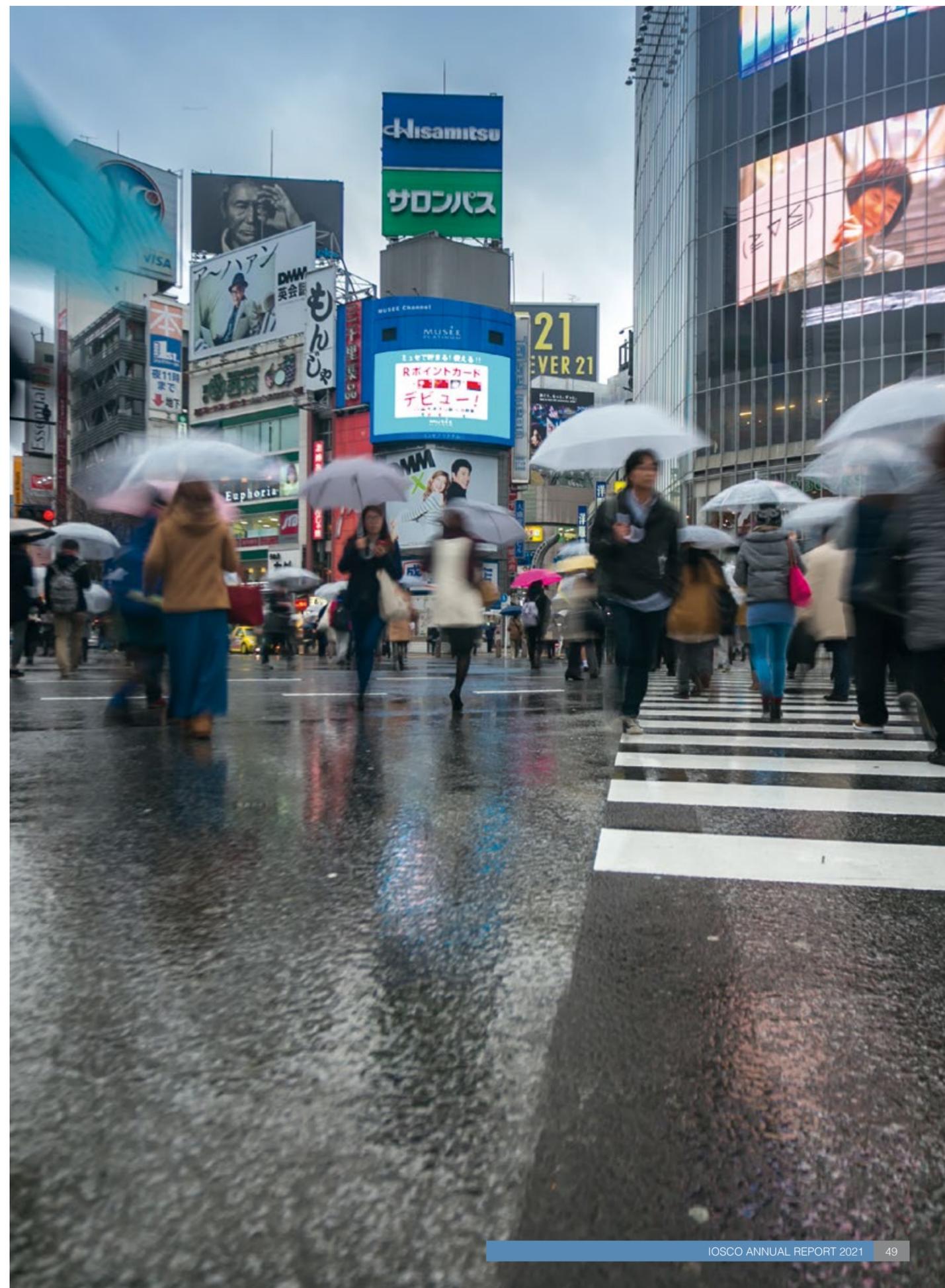
#### Retail Market Conduct and Digital Finance

The IOSCO Board identified as one of IOSCO's priorities the risks exacerbated by the COVID-19 pandemic, including those in retail markets. APRC

members were vigilant about such risks emerging in the region and quickly reacted to the regulatory concerns raised by meme stocks in early 2021. At their March meeting, members shared their views on the preliminary supervisory actions taken in response to these concerns; while some members enhanced their monitoring of social media related activities, others warned investors of possible market manipulation. Such a timely exchange of information proved useful for the members in addressing similar issues in their own jurisdictions.

New developments in the retail market included a gradual penetration of new products such as crypto assets. While IOSCO continued to work on related risks at different venues, APRC members engaged in intensive discussions and updated each other on the trends and supervisory/regulatory actions taken to address emerging issues. At several meetings, the members reported the salient increase in investor participation in crypto asset trading in the region and exchanged views on the implications for AML/CFT and investor protection in their domestic markets.

In August, the Board appointed Tuang Lee Lim of the Monetary Authority of Singapore as Chair of the Fintech Network, and later the FTF. APRC enjoyed the privilege of having a member lead the Network, enabling it to benefit from regular updates on the ongoing discussions at Board level. Insights from the Network's work --including the final Decentralized





Finance Report-- were shared at the APRC meetings. These APRC discussions added a regional perspective to the global agenda. At the March 2022 APRC meeting, the members discussed possible work in the region on crypt-assets in collaboration with the FTF's projects.

### Sustainable finance

In 2021, the work on sustainable finance gained further significance for the world and regulators. The IOSCO STF conducted three public consultations and produced the corresponding public reports, laying the groundwork for future regulatory and market actions to promote sustainable finance.

Sustainability has also been a standing agenda item at APRC meetings. In 2020, APRC created a working group on sustainable finance (SFWG) led by the Securities and Futures Commission of Hong Kong. The working group conducted a short survey to understand how APRC members addressed ESG and/or climate related issues and shared the findings at the March 2021 meeting. Members also described their domestic efforts to support sustainable finance. In February 2022, during a regularly scheduled dialogue with the Asia Securities Industry and Financial Market Association (ASIFMA), members included sustainable finance on their short list of imminent issues. In the discussion that followed, APRC members reaffirmed the importance of sustainability related disclosure rules, taxonomies and other related matters.

Throughout the year, APRC members received regular updates on the latest developments in sustainable finance as discussed at the IOSCO Board and STF meetings as well as at G7 and G20 reunions. For example, IOSCO STF Chair Erik Thedéen was invited to the APRC March 2022 meeting to explain the STF's progress and its workplan for 2022. APRC agreed to continue contributing to the STF's sustainable finance agenda by providing regional perspectives through close coordination between the STF and the APRC SFWG.

### Market fragmentation and Strengthening Cooperation

In 2019, IOSCO reported the key findings from its follow-up work on market fragmentation to the G20 and published a report with suggestions for the next steps. It considered fostering mutual understanding among its members key to addressing the risk of market fragmentation and called for greater involvement of the Affiliate Members Consultative Committee and Regional Committees, where cross-border regulation and market fragmentation have been the focus of attention for several years.

In response to the call, APRC held a dedicated meeting in January 2021 on market fragmentation, and invited ASIFMA representatives to discuss issues of imminent concern such as sustainable finance, IBOR transition and data protection and localization. The outcome, together with the findings of other Regional Committees, was reported to the Board in November

and fed into the work of various policy committees. The APRC again invited industry to its meeting in February 2022 under the same setup. Building on their dialogue with industry, APRC members identified the emerging and fragmentation risks in the following areas as priority issues: sustainable finance, cross-border data, operational resilience and crypt-assets (including retail market conduct). This information will be the basis for the APRC's 2022 input to the Board.

In conjunction with these meetings, APRC also held an EU-Asia Pacific Forum virtually in March 2022-- an annual event since 2016. Members of the APRC and representatives of the European Commission and European Securities and Markets Authority discussed issues of common interest, such as sustainable finance, digital finance and market fragmentation. The Forum provides an excellent opportunity for regulators and supervisors from both regions to enhance cross border cooperation.

With a view to enhancing supervisory cooperation in the region, APRC established a working group in 2019, co-chaired by the Australian Securities and Investment Commission and JFSA, which is now working on a Supervisory Multilateral Memorandum of Understanding in the Asia-Pacific. The APRC advanced the project at its meetings in September and November 2021 and further in March 2022. At its November Board meeting, the APRC discussed the progress made on this project during, raising expectations that the outcome could potentially be expanded to serve the broader IOSCO membership. Separately, once the

travel restrictions are lifted, the working group will organize a Supervisory Symposium to further deepen cooperation among regulators in the region.

At the experts' level, the APRC held the annual meetings of its Supervisory Directors and Enforcement Directors in March 2022, chaired by the China Securities Regulatory Commission and the Securities and Exchange Surveillance Commission of Japan, respectively. As in previous years, the meetings promoted and facilitated dialogue among experts regarding topical supervisory and enforcement issues in the region from a practical perspective.

Other regional cooperation efforts included a work stream to understand regional fundraising activities and the regulatory responses to the issues raised during the COVID-19 pandemic, led by JFSA.

Finally, I would like to thank all the APRC members for their invaluable contributions and the Secretariat for their consistent support. I had the honor to be elected APRC Chair in October 2021 and, ever since, the members' proactive participation in the ongoing projects and discussions has been indispensable for me in fulfilling my duties. Timely exchange of information, as well as collective activities at APRC in 2021, not only contributed to IOSCO work as a whole, but also helped each member in responding to important risks. I look forward to working closely with my fellow APRC colleagues and other IOSCO members to take on important issues affecting the future of our capital markets.



### Report by the Chairman of the European Regional Committee (ERC)

#### Mr. Jean-Paul Servais

- > Chair of the European Regional Committee
- > Vice Chair of the IOSCO Board
- > Chairman of Belgium's Financial Services and Markets Authority (FSMA)

The European Regional Committee (ERC) serves as a forum for European members to share their views on financial developments and regulatory matters that impact the region.

The ERC played a key role throughout the COVID-19 pandemic by helping its members identify and address emerging risks in financial markets related to the health crisis. The pandemic underscored the importance of strengthening the operational resilience of European market players and infrastructure and of coordinating to mitigate risks and vulnerabilities in securities markets.

I was pleased to see how members of the European Regional Committee rallied together to address the risks and challenges arising from the pandemic, while moving forward with other priority work related to financial stability, systemic risk, retail misconduct, operational resilience and, notably, climate change, among other projects.

At the same time, ERC members contributed to and benefited from IOSCO's efforts to coordinate regulators' global response to the impact of the COVID-19 crisis.

In 2021, IOSCO's four Regional Committees contributed to IOSCO's policy work on market fragmentation. A case in point was the effort made by members to understand each other's different legislative frameworks, as a crucial step to addressing the impact of market fragmentation on cross-border market activity. As part of this work, the IOSCO Follow-Up Group (FUG) to the 2015 Cross-Border Regulation Task Force drafted a series of questions to assist Regional Committees in their annual discussions on cross-border regulatory issues. In November 2021, the ERC and other Regional Committees presented a joint report on fostering mutual understanding, alongside, alongside a report on market fragmentation prepared by the IOSCO Affiliate Members Consultative Committee.

As in past years, ERC members also maintained a regular dialogue on financial market issues in the European Union with the European Securities and Markets Authority (ESMA), which is an IOSCO associate member and observer at the IOSCO Board. ESMA provided regular updates at ERC meetings on its efforts to coordinate the EU supervisory response to the pandemic and other regulatory developments.

ERC members chaired or co-chaired key IOSCO initiatives in 2021, including the Financial Stability Engagement Group (FSEG), the board-level Retail Market Conduct Task Force (RMCTF), the Financial Fintech Network, the SPACs Network, the Sustainability Network and the Sustainable Finance Task Force. The ERC received regular feedback on these initiatives from its members who led the work.

Committee members also produced issue notes that fed into the risk identification work of the IOSCO Committee on Emerging Risks, thereby supplementing the input from policy committees and providing a broader view of critical regulatory issues and the risks, trends and vulnerabilities emerging in global securities markets.

During the year, the ERC met four times and discussed issues of growing importance to IOSCO and



global capital markets, including the latest market developments to be discussed at Board meetings and the two new priority themes for the IOSCO 2021-2022 work plan:

- > Financial Stability and Systemic Risks of non-Bank Financial Intermediation (NBFI) Activities, and
- > Remote Working and Misconduct Risks, Fraud and Scams and Operational Resilience, in the Context of the COVID-19 Pandemic.

As ERC members were leading IOSCO work in these two new priority areas, the ERC received regularly feedback

on the progress of the work. The chair of the IOSCO Retail Market Conduct Task Force (RMCTF), Derville Rowland of the Bank of Ireland, updated the ERC meeting in February on the TMCTF report published in December 2020 on the impact of COVID 19 on Retail Market Conduct. The report describes of retail misconduct, from fraudulent practices by unlicensed operators targeting vulnerable investors to harmful but legal activity that regulated entities often carry on unintentionally. The report included measures to assist regulators in responding to the retail market conduct issues caused by stress events such as the COVID-19 pandemic.

Similarly, of the AMF France, whose Chair Robert Ophèle co-led the IOSCO Financial Stability Engagement Group (FSEG), along with the Chair of the US CFTC, updated the ERC on the FSEG's work on financial stability issues and contributions to the FSB work on NBF1. The FSEG perspective of the impact of the COVID-crisis on several key areas such as the asset management industry, margin calls and the resilience of CCPs and credit ratings. Thanks to the efforts of FSEG in particular, IOSCO is now a vital and important partner in a range of key financial stability related FSB work streams.

The Swedish Finansinspektionen whose Director General, Erik Thedéen, heads up the IOSCO Sustainable Task Force (STF), updated the ERC on the work of the STF. It explained how, updated the meeting on the STF work. She explained how the STF work stream on issuers' disclosures was actively engaging with ongoing private sector initiatives, including the IFRS Foundation and the alliance of leading sustainability reporting organizations, to ensure proposals from these initiatives met securities regulators' expectations, both in terms of content and of governance.

The IFRS Foundation published in September 2020 a consultation paper on sustainability reporting, which highlighted a growing and urgent demand to improve the global consistency and comparability of sustainability reporting. I was pleased to be re-elected in April 2021 Chair of the IFRS Foundation Monitoring Board (MB), which engaged with the IFRS Foundation leadership on the feedback received on the consultation paper.

At their meetings in 2021, ERC members discussed the progress made to establish a new standard setting board and the IFRS Trustees' proposed changes to the IFRS Constitution, helping pave the way for the unveiling of the International Sustainability Standards Board (ISSB) at the November 2021 United Nations COP26 Conference in Glasgow.

It has been a privilege for me as Chair of the ERC and the IFRS Foundation MB to contribute to such a ground-breaking project. The MB will continue to monitor the ISSB to ensure that further developments and new disclosure standards meet the demands of global capital markets and serve the public interest. As co-chair of the Monitoring Group, I also welcome that there is a growing recognition of the importance of global assurance standards to drive reliability of disclosures in this area.

During the February ERC meeting, Marcel Haag, Marcel Haag, director in the European Union department for financial stability and capital markets (DG FISMA) presented the EU Capital Markets Union (CMU) action

plan. Mr. Haag outlined the plan's three goals: to finance EU companies, render the EU a safer place for individuals to save and invest long-term and to integrate national capital markets into a genuine single market.

ERC members continued discussions on financial stability issues at their meetings in May and September 2021. Representatives of other Regional Committees and the Chair of the Affiliate Members Committee, Karen Wuertz, participated in the May meeting, contributing the perspectives on financial stability and market fragmentation of other regions and industry.

At the ERC virtual meeting in September, the representatives of several ERC members each described their policies regarding digital finance—crypto assets, distributed ledger technology, initial coin offerings etc.-- aimed at reducing market fragmentation and addressing emerging risks, while promoting digital innovation, protecting investors and ensuring financial stability.

As chair of the SPACs network, I also gave feedback to the ERC members on the work of the SPAC Network that the Board created in 2021 to facilitate information sharing about SPACs and to monitor and evaluate whether IOSCO should undertake further work with respect of SPACs.

In October, IOSCO organized a Technical Assistance Workshop for the European Region on Developing Enforcement Manuals and discussed a roadmap for workshop participants to introduce a tailored-made enforcement manual in each one's jurisdiction.

The organization's AM 2021 was organized in a digital format and hosted by the CMVM of Portugal in November.

The year 2021 was difficult and 2022 promises to be equally tough if the conflict in Ukraine continues to wreak havoc on the European economy and financial markets. But I am confident that IOSCO and the ERC will continue to make progress in tackling the challenges that securities markets and their regulators face worldwide, thereby helping markets remain resilient and ensure that capital markets are prepared to finance the region's return to economic growth.

Finally, I would like to thank ERC members, the new Secretary General Martin Moloney, the whole Secretariat and my own team at the FSMA for their support in helping to take forward IOSCO's core objectives of protecting investors, maintaining fair, efficient, and transparent markets and addressing systemic risks.





### Report by the Chairman of the Inter-American Regional Committee (IARC)

**Ms. Lucia Buenrostro Ph.D.**

- > Chair of the Inter-American Regional Committee
- > Vice-president of Regulatory Policy, National Banking and Securities Commission (CNBV), Mexico

**In 2021, the Inter-American Regional Committee (IARC) held two virtual meetings in which members discussed the impact of the pandemic on the region's capital markets. These meetings not only enabled members to share experiences but also served to gather information with a regional perspective for IOSCO's policy work and risk analysis. This information is particularly valuable to IOSCO as IARC members come from both developed and emerging market jurisdictions.**

In March 2021, Mr. José Antonio Quesada, the then IARC Chair and Vice-President of Regulatory Policy at the National Banking and Securities Commission (CNBV), Mexico, chaired IARC's joint meeting with the Council of Securities Regulators of the Americas or COSRA -- a forum for high level discussions on regulatory and supervisory issues related to securities markets in the Americas.

The meeting focused on the regulatory and supervisory measures that members implemented to address the challenges arising from COVID-19. The co-Chair of the Financial Stability Engagement Group (FSEG) updated members on the progress achieved by the group on work related to high volatility in the capital markets during 2020 and its impact on Central Counterparties (CCP) and the fund industry. In addition, the then IOSCO Acting Secretary-General, Tajinder Singh, presented the IOSCO Board's work priorities, including the re-prioritization of the mandates and projects for 2021 due to the COVID-19 pandemic.

As part of their work on market fragmentation, the IARC/COSRA members discussed the findings of an analysis conducted by the IOSCO Follow-Up Group (FUG), the successor to the former IOSCO Cross-Border Regulation Task Force. The FUG analyzed ways to enhance international collaboration and proposed next

steps for its work. Market participants also contributed to the discussion by presenting a report on market fragmentation that provided a broader picture of the implications for financial markets.

The Chairs of the IARC and COSRA consider it critical for members to be informed regularly on the status of the global capital markets. To that end, they invited the Head of Research of the World Federation of Exchanges to present the highlights, trends and risks identified by the WFE in its market analysis.

Likewise, the co-Chair of the Sustainable Finance Task Force (STF) Workstream 1 on issuers' disclosure updated IARC/COSRA members on its findings and next steps. The presentation sought to help members identify the international actions required to align domestic measures with global efforts to advance sustainable finance.

The IARC/COSRA meetings usually benefit from a North American Securities Administrators Association (NASAA) update on its work. This tradition seeks to foster collaboration between IOSCO members and non-members who are state and provincial securities regulators in the United States, Canada and Mexico.

Only IARC members attended the November 2021 virtual meeting held on the sidelines of the virtual

IOSCO Annual Conference. The IARC Vice-Chair, Ms. Christina Rolle of the Securities Commission of the Bahamas (SCB), chaired this meeting, which featured an update from IOSCO Secretary General Martin Moloney. This was the members' first meeting with the recently appointed Mr. Moloney, who informed members of the resumption of important projects that were paused, as part of the re-prioritization exercise conducted during the COVID-19 pandemic.

Mr. Moloney also emphasized the importance of future projects that the IOSCO Board planned to carry out regarding the liquidity of corporate bonds, financial stability issues, the priorities for the IOSCO 2022 Risk Outlook and the 2021-2022 Work Plan. Regarding the work of the Sustainability Task Force (STF) on sustainable finance issues, Mr. Moloney highlighted the participation of IOSCO in the UN Conference of the Parties on Climate Change (COP26), as well as the establishment of the new International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards Foundation (IFRS) and the plans to publish the prototype of a new Climate Disclosure standard by late 2022. He also described IOSCO work on the three work streams established (W1, W2 and W3) within the IOSCO Sustainable Finance Task Force (STF), which will work closely with the IFRS in 2022.

Mr. Moloney also stressed the importance of IOSCO work on FinTech trends in the Americas. To drive home this point, a market analyst explained the existing ecosystem and the prospective action and projects envisaged in the Americas. Both the US SEC and the CVM Brazil shared their thoughts on the framework for FinTech unicorns in the Americas.

Continuing with the discussions on liquidity in the fund sector, the CNV of Argentina explained the situation it faced in this area and the role that private funds play in the financial systems.

IARC members exchanged experiences and updated each other on their regulatory initiatives aimed at either addressing Covid-19 related issues or fostering capital market development. The Committee also asked members to describe their activities regarding Sustainable Finance and International Cooperation.

On 10 November 2021, IARC appointed me as its Chair for the remainder of the term 2020-2022. I am grateful to IARC members for the trust they have shown in me and look forward to collaborating further with them and other IOSCO members on many of the key issues facing securities markets today.



## Assessment Committee

Chair: Ms. Sharon Kelly, Senior Analyst, International Affairs, Autorité des marchés financiers, Québec

The IOSCO Assessment Committee (AC) monitors implementation of IOSCO Principles and Standards. It recognizes that IOSCO's effectiveness as a standard setter ultimately lies in the effective implementation of the Objectives and Principles of Securities Regulation and other IOSCO standards.

The work of the Assessment Committee (AC) is critical to IOSCO and its members. Unless implemented, international standards remain ineffective. The Assessment Committee has therefore the critical role of ensuring that IOSCO Principles and Standards are implemented in jurisdictions and this is done in a consistent and effective way. In 2021, a lot of effort was dedicated to advancing the Thematic Review on Liquidity Management and the ISM (IOSCO Standards Implementation Monitoring) Review on Regulator Principles. Also, the AC finalized the Thematic Review on Business Continuity Plans for Trading Venues and Intermediaries.

Additionally, IOSCO has conducted annual updates on its Securitization and MMF reports.<sup>12</sup> Summarized key findings are reflected in the FSB's Annual Report on Implementation and Effects, which is submitted to G20 leaders.

The AC also discussed its plans for 2022-2023 which the Board approved in early 2022. The workplan indicated the AC would conduct a new Thematic Review to assess the consistency of outcomes arising from the implementation of the recommendations set out in IOSCO's report from 2013 on Technological Challenges to Effective Market Surveillance Issues and Regulatory Tools as well as carrying out a new ISIM Review on IOSCO Principles 6 and 7 and providing guidance to assist members in the use of IOSCO Principles and Methodology. Notably, given the rapid developments in areas of high interest for IOSCO members, such

as sustainable finance and Fintech, the Assessment Committee will keep the overall workplan under review to adjust accordingly in the light of developments.

### Thematic Review on Business Continuity Plans with respect to Trading Venues and Intermediaries

The thematic review report was published in May 2021,<sup>13</sup> This thematic review was focused on the extent to which IOSCO members have implemented regulatory measures consistent with the recommendations set out in the IOSCO Report on Mechanisms for Trading Venues to Effectively Manage Electronic Trading and Plans for Business Continuity and the IOSCO *Report on Market Intermediary Business Continuity and Recovery Planning*.<sup>14</sup>

IOSCO has previously asked regulators to require trading venues to have mechanisms to help ensure the resiliency, reliability and integrity (including security) of critical systems, and to establish, maintain and implement as appropriate a BCP. Similarly, IOSCO asked regulators to require intermediaries to create and maintain a written BCP that identifies procedures for an emergency or significant business disruption, and to update their BCP in the event of any material change to operations, structure, business or location and conduct an annual review of their BCP to determine whether any modifications are necessary due to these changes. Authorities from 33 jurisdictions (16 developed

<sup>12</sup> *Peer Review of Implementation of Incentive Alignment Recommendations for Securitisation: Final Report; Peer Review of Regulation of Money Market Funds: Final Report*

<sup>13</sup> <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD675.pdf>

<sup>14</sup> <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD522.pdf>  
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD523.pdf>



jurisdictions and 17 emerging markets) participated in the Review, which found that thirteen participating jurisdictions are Fully Consistent with the IOSCO recommendations under review. The Review identified some gaps and shortcomings of different degrees of materiality in the other 20 participating jurisdictions for one or more of the recommendations.

Notably, the Review recommends that members include in their regulatory frameworks the necessary powers for the regulator to set and enforce requirements for trading venues and intermediaries when they establish, maintain and update BCPs; to ensure the regulatory frameworks require enterprise-wide BCPs and not only disaster recovery or contingency measures for IT systems; and to provide sufficient clarity on governance and accountability for boards or senior management in relation to critical systems.

IOSCO undertook this Review in response to the rapid rise of new technologies in securities markets, which have created risks capable of potentially disrupting trading venues and intermediaries. These vulnerabilities underscore the importance of effective BCPs, supported by adequate regulatory frameworks. While the report also discusses the measures that regulators, trading venues and market intermediaries took to ensure BCPs remained resilient during the COVID-19 crisis, the Review did not assess the operational resilience of trading venues and intermediaries during the COVID-19 pandemic.

The Review is also providing valuable input to the policy work conducted by IOSCO on operational resilience, as announced in its work program for 2021-2022.

### Thematic Review on Liquidity Risk Management

In March 2021, the *Thematic Review for the implementation of the 2018 Liquidity Risk Management Recommendations for Collective Investment Schemes*<sup>15</sup> ("2018 Recommendations") was launched. The 2018 Recommendations were published to help improve liquidity risk management practices of open-ended collective investment schemes (CIS) as part of IOSCO's mission to protect investors, ensure fair and efficient financial markets and reduce systemic risk. These recommendations are targeted at entities responsible for managing the liquidity of CIS to ensure that liquidity is managed to safeguard and protect the interests of

investors, including in stressed market conditions. In addition to the recommendations, the 2018 report also includes additional guidance for securities regulators to promote good liquidity management practices of CIS.<sup>16</sup> The 2018 Recommendations were prepared following publication of the FSB's *Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities* in January 2017 (FSB 2017 Recommendations).

The Review aims to assess the implementation of the 2018 Recommendations in a holistic manner. More concretely, the review's objectives are twofold – to assess how jurisdictions and, in practice, industry have implemented the 2018 Recommendations.

Notably, the Review covers 26 jurisdictions out of which 14 collectively comprise over 92% of assets under management globally. To assess, in practice, how implementation of the Recommendations has furthered the desired outcomes of the 2018 Report, the Review also analyzed responses from 76 market participants.

During 2021, the review team worked on analyzing and assessing the submissions. The final report is expected in the autumn of 2022.

The Review and its findings will also provide input to the work conducted by the Financial Stability Board for its assessment of the effectiveness of the FSB 2017 recommendations on liquidity mismatches in open-ended funds, which were partly operationalized by IOSCO's 2018 Recommendations.

### IOSCO Standards Implementation Monitoring (ISIM) for Principles Relating to the Regulator

In October 2019, the ISIM project on the implementation of Principles Related to the Regulator (Principles 1-5) was launched and the questionnaire was circulated to 56 IOSCO members. These five Principles are part of IOSCO's 38 Objectives and Principles of Securities Regulation (Principles) which provide core elements of an essential regulatory framework for securities regulations. These Principles establish the desirable attributes of a regulator. An independent and accountable regulator with appropriate powers and resources is essential to ensuring the achievement of the three core objectives of securities regulation: the



protection of investors; ensuring that markets are fair, efficient and transparent; and the reduction of systemic risk. The main objective of this ISIM review is to present a global overview of the status of implementation of each of the five Principles by the participating member jurisdictions, based on their self-assessments. The Review also aims to identify gaps in implementation as well as examples of good practices in implementing these Principles. This Review might be of particular interest to some GEM jurisdictions seeking to improve their regulatory framework.

The final report is expected for autumn 2022. For each Principle, the report will include an overview of implementation, identified good practices as well as gaps and shortcomings, and related recommendations.

### Conclusion

I wish to highlight that during my tenure as Chair of the Assessment Committee, I continue to be committed to contributing to IOSCO's work to develop sound and sustainable capital markets worldwide.

In 2021, little would have been accomplished in this area had I not benefitted from the unwavering support and collaboration of AC members, the AC Vice Chair and the IOSCO General Secretariat. I wish to express my appreciation to them for their dedication and hard work in accomplishing the AC initiatives. I am particularly grateful to Liam Mason, the AC Vice-Chair and to Raluca Tircoci-Craciun of the General Secretariat and her team for their dedication and diligence which proved to be invaluable to the work of our Committee.

<sup>15</sup> <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD590.pdf>

<sup>16</sup> <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD591.pdf>

## The IOSCO MMoU/EMMoU Screening Group

Securities regulators around the world use the IOSCO Multilateral Memorandum of Understanding<sup>17</sup> (MMoU) and its updated version, the Enhanced IOSCO MMoU (EMMoU), to help ensure effective global securities markets regulation. The MMoU and EMMoU represent a common understanding of how signatories should consult, cooperate and exchange information to strengthen regulatory enforcement in securities markets.



Since 2005, IOSCO has required securities regulators with primary responsibility for securities regulation in their jurisdictions to sign the IOSCO MMoU to become ordinary members, underscoring the importance of this standard for enforcement purposes. The MMoU supports IOSCO members in discharging their functions of detecting and prosecuting illegal conduct, deterring wrongdoing and preventing regulatory arbitrage by facilitating information sharing and cooperation.

The MMoU Screening Group (SG) reviews applications from authorities seeking to become MMoU or EMMoU signatories and is responsible for ensuring that members seeking accession to these cooperation instruments meet all necessary requirements. When requested to do so, the Screening Group also conducts preliminary assessments of draft legislation prepared

by applicants. The Screening Group comprises seven Verification Teams that perform the assessment of applicants' compliance with the MMoU or EMMoU and report their findings to the Screening Group for further assessment and approval.

In discharging its duties, the Screening Group is supported by the IOSCO General Secretariat staff, which conducts formal checks on MMoU and EMMoU applications for completeness and clarity. The Secretariat also offers guidance and technical assistance to non-signatories to help them advance their applications.

### MMoU Signatories

As of 31 December 2021, there were 125 signatories to the MMoU (121 ordinary members and four associate

members), out of 153 eligible members (129 ordinary and 24 associate). Only one ordinary member had not signed the MMoU at the end of 2021 nor was it listed on Appendix B, the list of members committed to signing the MMoU after meeting all the requirements.

### Enhanced MMoU

Since it was established in 2002, the MMoU has been the pre-eminent standard for international enforcement cooperation and information sharing among securities regulators. The MMoU facilitates cooperation among IOSCO members in their efforts to detect and prosecute fraud and other illegal conduct, deter wrongdoing and prevent regulatory arbitrage.

Since 2002, financial markets have undergone sweeping changes, driven by new technologies, regulation and the growing role of market-based finance in the global economy. In 2017, IOSCO established an enhanced MMoU to respond to the impact of these developments on regulators' enforcement efforts. The EMMoU provides for additional enforcement powers that IOSCO believes are necessary for continuing to safeguard the integrity and stability of capital markets, protect investors and detect and deter illegal activity.

The Secretariat began accepting EMMoU applications from members in April 2017 and by the end of 2021, the Secretariat had received EMMoU applications from a total of 26 jurisdictions (three applicants subsequently withdrew their submissions). Of the remaining jurisdictions, 21 had become EMMoU signatories by the end of 2021 while two remained under the Screening Group's assessment.

The following four jurisdictions signed the EMMoU in 2021:

- > Comissão de Valores Mobiliários (CVM) Brazil
- > Securities and Exchange Board of India (SEBI), India
- > Financial Markets Authority (FMA), New Zealand
- > Securities Commission of the Republic of Srpska (SECRS), Republic of Srpska

All authorities that have submitted EMMoU applications are signatories to the MMoU although non-MMoU signatories who believe that they meet the requirements for signing the EMMoU can apply to sign both instruments at the same time.

The MMoU will remain in effect for as long as any signatory wishes to use it. While the MMoU remains in effect, jurisdictions will co-operate with their counterparts under the instrument to which they are both signatories. The long-term expectation, however, is for all MMoU signatories to migrate to the EMMoU.

### Encouraging more EMMoU Applications

Since October 2019, the SG has been considering practical ways of encouraging more MMoU signatories to submit EMMoU applications. To advance its consideration of this matter, the SG established a working group to consider why eligible members are not applying as fast as expected to sign the EMMoU and articulate strategies for encouraging more applications. Following the recommendation of the working group, the SG issued a survey to eligible IOSCO members in July 2021. Of the 105 eligible non-EMMoU signatories, 45 responded to the survey representing a 43% response rate.

The SG is now considering and developing each of the six proposals on how to encourage more EMMoU applications, through six new working groups established for that purpose.

### MMoU Statistics

IOSCO collects annual statistics on how signatories use the MMoU to exchange information. These statistics help IOSCO track the use of the MMoU while determining which jurisdictions are the largest users globally, and which are the largest within each of the four IOSCO regions. For many years, IOSCO collected these statistics manually. In 2017, the Secretariat, supported by the Screening Group, automated statistics collection to improve efficiency and ensure data accuracy. This gave birth to the automated MMoU Statistics System currently used.

Statistics collected over the years indicate that the growing number of signatories has led to greater cross-border cooperation, enabling regulators to advance more enforcement matters. In 2006, a total of 526 requests for assistance were made pursuant to the MMoU. By the end of 2021, the number of MMoU requests made by signatories had reached 5,532 (more than a ten-fold increase in under 20 years). This trend is expected to continue its upward course as more members become signatories, and as more signatories avail themselves of these information-sharing mechanisms. This figure also includes requests for assistance made under the EMMoU, totaling 1,333 exchanges of information in 2021.

<sup>17</sup> The formal name for the MMoU is the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

## IOSCO Capacity Building

**In 2021, IOSCO continued to work intensively 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 help drive sustained economic growth.**

Because of the enduring global COVID-19 pandemic, all of IOSCO's capacity building activities in 2021 were conducted in a virtual format. The IOSCO Asia-Pacific Hub in Kuala Lumpur organized a series of webinars and webcasts on critical regulatory and other issues that regulators are currently facing. Furthermore, IOSCO members had access to a variety of virtual capacity building events organized by the IOSCO General Secretariat and several IOSCO committees, including the Affiliate Members Consultative Committee, in addition to the online resources of the IOSCO Regulatory Capacity Building Online Toolkit.

### Education and Training Programs

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

Since 2016, IOSCO has been organizing, jointly with the Program on International Financial Systems and the Harvard Law School (PIFS-HLS), the annual *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 comprises two phases: a first phase at IOSCO's Madrid headquarters that covers the fundamentals of securities regulation and compliance and related current critical issues, and a second phase at Harvard Law School in Cambridge, Massachusetts, focused on current and future regulatory challenges and emerging issues. Speakers are experienced securities regulators, academics specialized in financial markets and others with extensive legal or technical knowledge of international financial systems.

Because of COVID-19, both Phase I and Phase II of the 2021 program were offered in a virtual format. Phase I consisted of virtual live sessions held on 14-17 June 2021 as well as pre-recorded on-demand presentations and other online content. It was attended by over 280 regulators from almost 90 jurisdictions. As a follow-up to Phase I discussions, an additional virtual case study session on Robinhood was organized on 27 October 2021. Phase II consisted of virtual live sessions held on 13-17 December 2021, in which over 160 IOSCO members took part.

By the end of 2021, some 670 IOSCO members had enrolled in the program; of these, 320 earned a certificate by completing both phases.

#### IOSCO/PIFS-Harvard Law School Global Policy Development Seminar

Since 2020, PIFS-HLS and IOSCO have been organizing an annual Global Policy Development Seminar (GPDS), which focuses on cutting-edge policy issues and targets senior policy makers from capital markets authorities across the globe. Held in June 2021, this high-level virtual event dealt with sustainable finance. Some 120 IOSCO Board members and the leadership of IOSCO Committees and Task Forces and other senior regulators discussed what a global comprehensive system for issuer disclosure can deliver and meet the needs of capital markets. They also examined issues around ESG risk management and supervisory oversight for asset managers. Speakers included Ashley Alder, Chairman of the IOSCO Board, and CEO, Hong Kong SFC; Erik Thedéen, Chair, IOSCO Board-level Sustainable Finance Task Force, and Director General, FI Sweden; Clara Barbee, Chief Executive, Impact Management Project; Mary Schapiro, Vice Chair, Bloomberg; Robert

G. Eccles, Visiting Professor Saïd Business School, University of Oxford; Lee White, Executive Director, IFRS Foundation; Grant Vingoe, Chair and Chief Executive Officer, Ontario Securities Commission and others. The discussions were led by Tajinder Singh, the then IOSCO Acting Secretary General and Stefan Gavell, Vice Chair, PIFS.

#### 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 members' needs as identified in IOSCO evaluations of training needs. Past training seminars have looked at *investment funds regulation and supervision, protecting investors through supervision, inspections and examinations, investor education and protection, and using technology for regulatory and supervisory responsibilities*. In 2021, the 23rd STP was titled *Market Surveillance and the Use of Technology* and was delivered in a virtual format on 27-29 April. Some 250 members from 75 jurisdictions attended the program, which featured presentations on market surveillance use cases on responding to market stress and the use of technology and on data analytics for market surveillance and enforcement, as well as case studies with examples of how regulators are applying market surveillance technology in practice.

#### 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 16th IOSCO-FSI Conference in 2021 was organized virtually on 6-7 October, featuring two sessions. The first session, focused on innovation and technology, discussed crypto-assets and stablecoins from a financial market infrastructure perspective and that of banking and securities market regulators. The second session examined issues in sustainable finance, focusing on issuers' sustainability-related disclosures and the move to a global comprehensive corporate reporting system for issuer disclosure. The event was attended by some 430 securities regulators and banking supervisors, representing over 130 institutions from 120 jurisdictions.

#### GEMC Regulatory Workshops

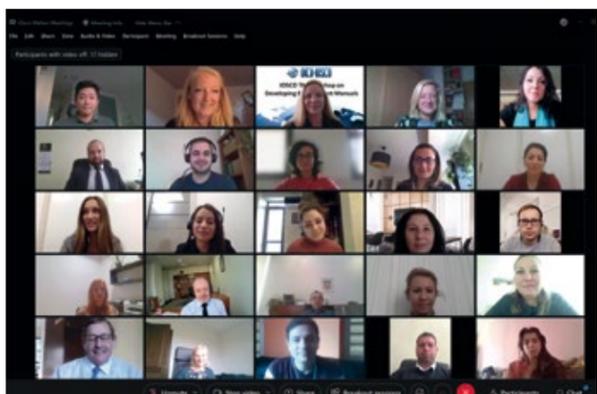
The IOSCO Growth and Emerging Markets Committee (GEMC) has been organizing regulatory workshops on a variety of topics of interest to growth and emerging markets and which often complement and support the work of the IOSCO Board. On 20 October 2021, the GEMC and United Nations Conference on Trade and Development (UNCTAD) held a regulatory workshop on *Securities market regulators and Sustainable Investment*, under the umbrella of the 7th UNCTAD World Investment Forum.

The workshop included two panels. The first panel, on sustainability related issuer disclosures, discussed IOSCO's vision and expectations for a global baseline of investor-focused sustainability standards to improve the global consistency, comparability and reliability of sustainability reporting. The second panel, on asset managers, greenwashing, ESG ratings and data providers, discussed the regulatory and supervisory expectations for asset managers regarding sustainability-related risks and opportunities and how IOSCO's proposed recommendations intend to improve sustainability-related practices, policies, procedures and related disclosures in the asset management industry.

#### IOSCO AMCC Training

IOSCO's Affiliate Members Consultative Committee (AMCC), building on the expertise available within its diverse membership, has been providing training opportunities to IOSCO members since 2008. These programs offer regulators and industry representatives the opportunity to exchange ideas and experiences and consider regulatory issues and events from different market perspectives.

In 2021, the AMCC started the virtual AMCC Learning Series, which featured two training webinars. The first one on *Derivatives Markets Dynamics and Regulation: Why and How?* was delivered on 7 and 8 April and discussed why and how derivatives are critical for economic growth in emerging market economies as well as the dynamics, regulation, and infrastructures that enable the development of efficient derivatives markets. Another training webinar on *Securities and Derivatives Clearing and the Role of CCPs* was organized on 22 November and presented the fundamentals of the clearing function and the central counterparties in the capital markets. It also included a discussion on the key components of the CPMI-IOSCO Principles for Financial Markets Infrastructures (PFMIs) and a case study on the implementation of the PFMIs. These webinars were attended, respectively, by 170 and 210 IOSCO members.



### MMoU Virtual Workshop

IOSCO MMoU Screening Group members and IOSCO Secretariat staff have been delivering practical workshops on the use of the MMoU/EMMoU and pre-requisites for becoming an EMMoU signatory. In 2021, they organized a virtual workshop on 22-23 March which provided participants with practical insights into the key legal and practical issues involved in the use of the MMoU in the context of cooperation in enforcement matters. The presentations during the workshop broadly covered themes such as the importance of cooperation in enforcement, how to address common practical issues in the use of the MMoU, implications of being a signatory to the MMoU, confidentiality and data privacy

issues, and the IOSCO Administrative Arrangement and exchange of information with EEA authorities, thematic issues that arose from the 2018 and 2019 MMoU Monitoring Group Survey regarding banking records and unregulated persons. The workshop was well attended by 160 participants from more than 80 IOSCO member organizations.

### IOSCO Capacity Building Online Toolkit

The IOSCO Capacity Building Online Toolkit was launched in March 2016. The aim of the Online Toolkit is to assist IOSCO members in their efforts to develop and implement effective regulatory frameworks for capital markets regulation. The Online Toolkit offers IOSCO members information in one readily available place, to inform and guide their own regulatory efforts. Initially, there were two components to the Online Toolkit – Risk Based Supervision and Enforcement. In 2020, the toolkit was expanded to include four new components: Secondary Markets; Market Infrastructures; Collective Investment Schemes and Intermediaries. Members use the Online Toolkit extensively– it had more than 1,300 unique users from over 200 IOSCO member organizations by the end of 2021.

### 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 offer 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 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.

Since becoming operational in mid-2017, the Hub has initiated a wide variety of capacity building activities. To date, over 1,100 IOSCO members from close to 90 jurisdictions across all regions have benefitted from the Hub's in-person programs and live webinars, and many more have accessed the on-demand webcasts on the Hub's website.

Building on the success of its webcast series on the implications of COVID-19, the Hub continued in 2021 to leverage the webcast technology and organized a

series of webcasts and webinars attended by many IOSCO members from around the world.

### Webinar on Asia Pacific Regional Outlook for 2021 (February 2021)

This webinar featured a discussion with Dr Ng Thiam Hee, Principal Economist from the Asian Development Bank, on how the Asia Pacific economy performed in 2020 and what to expect in 2021 and included the potential drivers for growth and key risks and vulnerabilities for the year.

### Webinar on Digital Assets Evolution: Regulatory Oversight and Enforcement (May 2021)

This webinar featured a discussion between Bénédicte Nolens, Head, Bank for International Settlements (BIS) Innovation Hub, Hong Kong Centre; Valerie Szczepanik, Director, Strategic Hub for Innovation and Financial Technology, US Securities and Exchange Commission; and Donald Day, Senior Manager, Intermediaries Supervision, Securities and Futures Commission of Hong Kong; on the evolution of the digital assets sector and challenges in regulatory oversight and enforcement of digital assets and digital asset trading platforms.

### Webcast on Remaining Challenges in Benchmarks Transition: 2021 and Beyond (July 2021)

The transition away from LIBOR presents unique and difficult challenges for regulators and market participants. As the end date for LIBOR approaches, 2021 continues to be a critical year in benchmarks transition. This webcast discusses the remaining challenges in this transition, particularly related to USD LIBOR, to help regulators and market participants plan their next steps in the coming months. The discussants in this webcast are Arthur Yuen, Deputy Chief Executive of the Hong Kong Monetary Authority; Scott O'Malia, CEO of the International Swaps and Derivatives Association; Anne-Laure Condat, Manager, Benchmarks Policy Team at the UK Financial Conduct Authority and Simonetta Iannotti, Member of Secretariat of the Financial Stability Board. The webcast is moderated by Alp Eroglu, Senior Policy Advisor from the IOSCO General Secretariat.

### IOSCO WIW Webcast on Regional Developments in Investor Education and Protection: Frauds and Scams Prevention (October 2021)

In conjunction with IOSCO's World Investor Week 2021, the IOSCO Asia Pacific Hub and IOSCO Asia

Pacific members from the Investor and Financial Education Council of Hong Kong, the Securities and Exchange Board of India, Securities Commission Malaysia and the Monetary Authority of Singapore discussed observations on investment scams, financial education initiatives and other measures undertaken to address some of the challenges, and the areas of focus going forward for investor education and protection in relation to frauds and scams prevention.

### Webinar on Artificial Intelligence: Risks, Policy Approaches and Guidance for Regulators (October 2021)

This webinar provided an overview of Artificial Intelligence concepts and discussed key risks of relevance to regulators and policymakers, policy approaches to AI and risk management, and guidance for regulators. Speakers included Mhairi Jackson, Chair IOSCO Committee on Regulation of Market Intermediaries and Manager, Funds and Asset Management Policy, UK FCA; Ansgar Koene, Global AI Ethics and Regulatory Leader, Ernst & Young; Laurence Van Der Loo, Executive Director, Technology and Operations, ASIFMA; and Shameek Kundu, Chief Strategy Officer and Head of Financial Services, Truera.

### 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.

### 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.

The onsite inspection TA for selected jurisdictions from the European Region (ERC), which started end-2020, was concluded in 2021. Based on the TA for selected jurisdictions from the Africa/Middle-East (AMERC) and Inter-American (IARC) regions, two virtual regional TA Workshops on Developing Onsite Inspection Manuals were organized to allow all GEM members from those two regions to benefit from the original TA programs. The AMERC TA Workshop was held on 23-24 March, and the IARC TA Workshop on 1-2 June.

#### 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 each one's specific jurisdiction. The manuals include detailed information about the approach to enforcement, conduct of

investigations, investigative practices, cooperation, privileges and protection and settlement.

Based on the TA programs targeted at selected jurisdictions from the AMERC and ERC regions, a virtual regional TA Workshop on Developing Enforcement Manuals for GEM members from the Africa/Middle-East region was held on 28-29 September, and another one was held for GEM members from the European region on 19-20 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.

Signing 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 outside 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. Cambodia, Iraq, Lao, Mozambique, Paraguay and Rwanda received IOSCO assistance in 2021, enabling them to advance their efforts to become MMoU signatories. Following the technical assistance received, Cambodia was able to apply to become a signatory to the MMoU, and the IOSCO Screening Group is finalizing the report on its application.

#### Other Capacity Building Initiatives

Assistance provided through the IOSCO General Secretariat to non-signatories of the IOSCO MMoU

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 go through a preliminary assessment process or seek political support from the General Secretariat for the enactment of their new legislation.

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

- > *Technical Assistance for members and non-members*
- > *Data Sharing Platform for member of the Growth and Emerging markets Committee*
- > *Capacity Building for Self-Assessments*

# General Information

**The International Organization of Securities Commissions (IOSCO) is an international association of securities regulators that was established in 1983. Its General Secretariat is based in Madrid, Spain.**

The objectives of IOSCO's members are:

- > to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets and to mitigate systemic risks;
- > to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in the supervision of markets and market intermediaries; and
- > to exchange information at both global and regional levels on their respective experiences to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

## Structure of IOSCO

**The Presidents Committee**, as the plenary body of IOSCO, meets once a year during the IOSCO Annual Conference and is attended by ordinary members. Affiliate and associate members attend the meeting, though voting rights are restricted to ordinary members.

The **IOSCO Board** is the day-today governing body of IOSCO. In 2021, the IOSCO Board was composed of 34 members and two observers:

- > 18 Nominated Members from jurisdictions with the largest markets (based on a variety of factors);
- > The Chair and the two Vice Chairs of the Growth and Emerging Markets (GEM) Committee who are elected;
- > The Chairs and the Vice Chairs of the four Regional Committees who are elected;
- > One Member from the GEM Committee Membership who is elected; and
- > One Member from each of the four Regional Committees who are elected.

Ashley Alder, the Chief Executive Officer, Securities and Futures Commission, Hong Kong, has been the chair of the Board since IOSCO's Annual Meeting in Lima,

Peru in May 2016. During 2021, he was supported by two Vice Chairs; Jean-Paul Servais, Chairman, Financial Services and Markets Authority, Belgium, and since May 2021, Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority, Egypt, ex-officio as GEM Committee Chair, who replaced Dr. Obaid Al Zaabi, Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates, as GEM Chair.

The Board observers in 2021 were the Chair of the IOSCO Affiliate Members Consultative Committee, Karen Wuertz, Senior Vice-President, Strategic Planning and Communications, National Futures Association, United States, and the Chair of the European Securities and Markets Authority of the European Union, Steven Maijor (until March 2021), and Verena Ross (since November 2021).

**The Growth and Emerging Markets Committee (GEM Committee)** is the largest committee within IOSCO, representing more than 75% of IOSCO's ordinary membership. In early 2021, Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority Egypt, was elected GEM Committee Chair for the remainder of the 2020-2022 term and to serve ex officio as Vice Chair of the Board. The GEM Committee seeks to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.

The GEM Committee's strategic priorities are focused on a variety of matters including assessments of risks and vulnerabilities, policy and development work affecting emerging markets and regulatory capacity building. It provides training programs and technical assistance for members and enables the exchange of information and expertise.

The GEM Committee comprises 90 members and 24 non-voting associate members that include some of the world's fastest growing economies and 10 of the G-20 members.

IOSCO is the one of the few international standard setters that has a committee dedicated to emerging

market issues. This inclusiveness increases IOSCO's effectiveness and positions it to play a more significant role in shaping the global regulatory framework.

IOSCO also has four Regional Committees, which meet to discuss matters specific to their respective regions and jurisdictions and contribute a regional perspective to Board discussions:

- > Africa/Middle-East Regional Committee;
- > Asia-Pacific Regional Committee;
- > European Regional Committee; and
- > Inter-American Regional Committee.

Self-regulatory organizations (SROs) and other affiliate members (see below for a full description) are members of the **Affiliate Member Consultative Committee (AMCC)**. IOSCO recognizes the importance of engaging regularly with its affiliate membership and encourages its input into IOSCO's policy development work.

## Annual Meeting

IOSCO's members meet every year at its Annual Meeting to discuss important issues related to global securities markets regulation. Event information can be found at [www.iosco.org](http://www.iosco.org).

## Membership Categories and Criteria

### Categories

IOSCO has the following three categories of membership:

- > Ordinary;
- > Associate; and
- > Affiliate.

### Ordinary

A national securities commission or a similar governmental body with significant authority over securities or derivatives markets is eligible for ordinary membership of IOSCO, provided it is a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) on cooperation and exchange of information. Where there is no such national authority, provincial authorities with authority over securities or derivatives

markets are eligible for ordinary membership, provided they are MMoU signatories.

Each ordinary member of the organization is a member of the Presidents Committee and has one vote at meetings of that committee. The Presidents Committee meets yearly at the Annual Meeting.

## Associate

The following organizations are eligible for associate membership:

- > supranational governmental regulators;
- > subnational governmental regulators where there is a national governmental regulator;
- > intergovernmental international organizations and other international standard-setting bodies;
- > other governmental bodies with an appropriate interest in securities regulation;
- > national governmental regulators who are not MMoU signatories and who are not ordinary members; and
- > associations that consist of the public regulatory bodies.

Associate members may attend meetings of the Presidents Committee.

## Affiliate

The following bodies are eligible for affiliate membership of IOSCO:

- > self-regulatory organizations (SROs);
- > securities exchanges;
- > financial market infrastructures (including clearing and settlement agencies);
- > international bodies other than governmental organizations with an appropriate interest in securities regulation;
- > investor protection funds and compensation funds; and
- > any other body with an appropriate interest in securities regulation that the IOSCO Board may decide on for the purpose of furthering the objectives of the organization.

Affiliate members may attend meetings of the Presidents Committee.



### Contact Details

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# IOSCO Members

## Ordinary Members (130)

Albanian Financial Supervisory Authority	Albania
Alberta Securities Commission	Alberta
Commission d'Organisation et de Surveillance des Opérations de Bourse	Algeria
Autoritat Financera Andorrana	Andorra
Comissão do Mercado de Capitais	Angola
Comisión Nacional de Valores*	Argentina
Central Bank of Armenia	Armenia
Australian Securities and Investments Commission*	Australia
Financial Market Authority	Austria
Securities Commission of The Bahamas*	Bahamas
Central Bank of Bahrain	Bahrain, Kingdom of
Bangladesh Securities and Exchange Commission	Bangladesh
Financial Services Commission	Barbados
Financial Services and Markets Authority*	Belgium
Bermuda Monetary Authority	Bermuda
Autoridad de Supervisión del Sistema Financiero	Bolivia
Securities Commission of the Federation of Bosnia and Herzegovina	Bosnia and Herzegovina, Federation of
Comissão de Valores Mobiliários*	Brazil
British Columbia Securities Commission	British Columbia
British Virgin Islands Financial Services Commission	British Virgin Islands
Brunei Darussalam Central Bank	Brunei
Financial Supervision Commission	Bulgaria
Auditoria Geral do Mercado de Valores Mobiliários, Banco Central of Cabo Verde	Cabo Verde
Cayman Islands Monetary Authority	Cayman Islands
Commission de Surveillance du Marché Financier de l'Afrique Centrale (Securities and Exchange Commission of Central Africa)	Central Africa
Comisión para el Mercado Financiero (Financial Market Commission)	Chile
China Securities Regulatory Commission*	China
Financial Supervisory Commission	Chinese Taipei
Superintendencia Financiera de Colombia	Colombia
Superintendencia General de Valores	Costa Rica
Croatian Financial Services Supervisory Agency	Croatia, Republic of
Cyprus Securities and Exchange Commission	Cyprus
Czech National Bank	Czech Republic
Danish Financial Supervisory Authority	Denmark
Dubai Financial Services Authority	DIFC, Dubai
Superintendencia del Mercado de Valores	Dominican Republic
Superintendencia de Compañías, Valores y Seguros	Ecuador
Financial Regulatory Authority	Egypt
Superintendencia del Sistema Financiero	El Salvador

\*Member of the IOSCO Board

# Board observers

Finantsinspeksioon	Estonia
Financial Supervision Authority	Finland
Autorité des marchés financiers*	France
National Bank Of Georgia	Georgia
Bundesanstalt für Finanzdienstleistungsaufsicht*	Germany
Securities and Exchange Commission	Ghana
Gibraltar Financial Services Commission	Gibraltar
Hellenic Capital Market Commission	Greece
Guernsey Financial Services Commission	Guernsey
Securities and Futures Commission*	Hong Kong
Magyar Nemzeti Bank (The Central Bank of Hungary)	Hungary
The Central Bank of Iceland	Iceland
Securities and Exchange Board of India*	India
Indonesia Financial Services Authority	Indonesia
Securities and Exchange Organization	Iran
Central Bank of Ireland*	Ireland
Isle of Man Financial Services Authority	Isle of Man
Israel Securities Authority	Israel
Commissione Nazionale per le Società e la Borsa*	Italy
Financial Services Commission	Jamaica
Financial Services Agency*	Japan
Ministry of Agriculture, Forestry and Fisheries	Japan
Ministry of Economy, Trade and Industry	Japan
Jersey Financial Services Commission	Jersey
Jordan Securities Commission	Jordan
Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market	Kazakhstan, Republic of
Capital Markets Authority*	Kenya
Financial Services Commission/Financial Supervisory Service*	Korea, Republic of
Capital Markets Authority	Kuwait
State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic	Kyrgyz Republic
Financial and Capital Market Commission	Latvia, Republic of
Financial Market Authority	Liechtenstein
Bank of Lithuania	Lithuania
Commission de Surveillance du Secteur Financier	Luxembourg
Reserve Bank of Malawi	Malawi
Securities Commission*	Malaysia
Capital Market Development Authority	Maldives
Malta Financial Services Authority	Malta
Financial Services Commission	Mauritius
Comisión Nacional Bancaria y de Valores*	Mexico
Financial Regulatory Commission	Mongolia
Capital Market Authority of Montenegro	Montenegro
Autorité Marocaine du Marché des Capitaux*	Morocco
Financial Markets Authority	New Zealand
Securities and Exchange Commission*	Nigeria
Securities and Exchange Commission of the Republic of North Macedonia	North Macedonia, Republic of
Finanstilsynet (The Financial Supervisory Authority of Norway)	Norway
Capital Market Authority	Oman, Sultanate of
Ontario Securities Commission*	Ontario

Securities and Exchange Commission*	Pakistan
Palestine Capital Market Authority	Palestine
Superintendencia del Mercado de Valores	Panama
Securities Commission of Papua New Guinea	Papua New Guinea
Superintendencia del Mercado de Valores	Peru
Securities and Exchange Commission	Philippines
Polish Financial Supervision Authority	Poland
Comissão do Mercado de Valores Mobiliários*	Portugal
Qatar Financial Markets Authority	Qatar
Autorité des marchés financiers*	Quebec
Financial Supervisory Authority	Romania
The Bank of Russia	Russia
Capital Market Authority*	Saudi Arabia
Securities Commission	Serbia, Republic of
Monetary Authority of Singapore*	Singapore
The National Bank of Slovakia	Slovak Republic
Securities Market Agency/Agencija Za Trg Vrednostnih Papirjev	Slovenia
Financial Sector Conduct Authority	South Africa
Comisión Nacional del Mercado de Valores*	Spain
Securities and Exchange Commission of Sri Lanka	Sri Lanka
Securities Commission of the Republic Srpska	Srpska, Republic of
Finansinspektionen*	Sweden
Swiss Financial Market Supervisory Authority*	Switzerland
Syrian Commission on Financial Markets and Securities	Syria
Capital Markets and Securities Authority	Tanzania
Securities and Exchange Commission	Thailand
The Dutch Authority for the Financial Markets	The Netherlands
Trinidad and Tobago Securities and Exchange Commission	Trinidad and Tobago
Conseil du marché financier	Tunisia
Capital Markets Board*	Turkey
Turks & Caicos Islands Financial Services Commission	Turks & Caicos
Capital Markets Authority	Uganda
National Securities and Stock Market Commission	Ukraine
Securities and Commodities Authority	United Arab Emirates
Financial Conduct Authority*	United Kingdom
Commodity Futures Trading Commission*	United States of America
Securities and Exchange Commission*	United States of America
Banco Central del Uruguay	Uruguay
Ministry of Finance of the Republic of Uzbekistan	Uzbekistan
State Securities Commission	Vietnam
Conseil régional de l'épargne publique et des marchés financiers	West African Monetary Union
Securities and Exchange Commission	Zambia

\*Member of the IOSCO Board  
# Board observer

## Associate Members (34)

Financial Services Regulatory Authority	Abu Dhabi
African Development Bank Group	Africa
Astana Financial Services Authority	AIFC, Nur-Sultan (formerly Astana)
Union of Arab Securities Authorities	Arab Union
Asian Development Bank	Asia
Central Bank of the Republic of Azerbaijan	Azerbaijan, Republic of
Ministry of Finance of the Republic of Belarus	Belarus, Republic of
Non-Bank Financial Institutions Regulatory Authority	Botswana
Securities and Exchange Regulator of Cambodia	Cambodia
Centrale Bank van Curaçao en Sint Maarten	Curaçao
Eastern Caribbean Securities Regulatory Commission	Eastern Caribbean Currency Union
Financial Services Regulatory Authority	Eswatini
European Commission	European Union
European Securities and Markets Authority#	European Union
Reserve Bank of Fiji	Fiji, Republic of
International Financial Services Centres Authority	India
International Bank for Reconstruction and Development	International
International Monetary Fund	International
Iraq Securities Commission	Iraq
Securities and Exchange Surveillance Commission	Japan
Korea Deposit Insurance Corporation	Korea, Republic of
Labuan Financial Services Authority	Labuan
Lao Securities Commission	Lao People's Democratic Republic
Capital Markets Authority	Lebanon
Commission de Contrôle des Activités Financières	Monaco, Principality of
Banco de Moçambique	Mozambique
Namibia Financial Institutions Supervisory Authority	Namibia
Securities Board of Nepal	Nepal
Comisión Nacional de Valores	Paraguay
Qatar Financial Centre Regulatory Authority	Qatar
Capital Market Authority	Rwanda
Financial Services Authority	Seychelles
Prudential Authority	South Africa
Securities and Exchange Commission of Zimbabwe	Zimbabwe

## Affiliate Members (69)

Bahamas International Securities Exchange	Bahamas
Bahrain Bourse	Bahrain, Kingdom of
The Bermuda Stock Exchange	Bermuda
B3 – Brasil, Bolsa, Balcão	Brazil
Brazilian Financial and Capital Markets Association	Brazil
BSM Market Supervision	Brazil
Investment Industry Regulatory Organization	Canada
Mutual Fund Dealers Association	Canada
Cayman Islands Stock Exchange	Cayman Islands
The International Stock Exchange	Channel Islands
Asset Management Association of China	China
China Financial Futures Exchange	China
China Securities Depository and Clearing Corporation Limited	China
China Securities Investor Protection Fund Co., Ltd.	China
Securities Association of China	China
Shanghai Stock Exchange	China
Shenzhen Stock Exchange	China
Taipei Exchange	Chinese Taipei
Taiwan Futures Exchange	Chinese Taipei
Taiwan Stock Exchange Corp.	Chinese Taipei
Autorregulador del Mercado de Valores de Colombia	Colombia
MISR for Clearing, Depository and Central Registry	Egypt
European Fund and Asset Management Association	European Union
Deutsche Börse AG	Germany
German Derivatives Association	Germany
Financial Reporting Council	Hong Kong
Hong Kong Exchanges and Clearing Limited	Hong Kong
BSE Limited	India
Multi Commodity Exchange of India Limited	India
National Stock Exchange	India
Indonesia Stock Exchange	Indonesia
CCP12 – The Global Association of Central Counterparties	International
CFA Institute	International
FIA	International
Financial Planning Standards Board Ltd.	International
Global Financial Markets Association	International
ICI Global	International
International Capital Market Association	International
International Swaps & Derivatives Association, Inc.	International
Standards Board for Alternative Investments (SBAI)	International
The Alternative Investment Management Association Limited	International
World Federation of Exchanges Ltd.	International
Japan Exchange Group, Inc.	Japan
Japan Securities Dealers Association	Japan
Central Securities Depository JSC	Kazakhstan, Republic of
Korea Exchange	Korea, Republic of
Bursa Kuwait Securities Company	Kuwait

Kuwait Clearing Company	Kuwait
Bursa Malaysia	Malaysia
Central Securities Clearing System Plc	Nigeria
FMDQ Group	Nigeria
Nigerian Exchange Group (NGX Group)	Nigeria
National Association of Securities Market Participants	Russia
Saudi Stock Exchange	Saudi Arabia
Singapore Exchange Limited	Singapore
Johannesburg Stock Exchange	South Africa
Bolsas y Mercados Españoles	Spain
SIX Exchange Regulation AG	Switzerland
The Stock Exchange of Thailand	Thailand
Turkish Capital Markets Association	Turkey
Dubai Gold & Commodities Exchange	United Arab Emirates
London Stock Exchange Group	United Kingdom
Cboe Global Markets	United States of America
CME Group	United States of America
Depository Trust & Clearing Corporation (DTCC)	United States of America
Financial Industry Regulatory Authority	United States of America
National Futures Association#	United States of America
Options Clearing Corporation	United States of America
Securities Investor Protection Corporation	United States of America

\*Member of the IOSCO Board  
# Board observer

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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

# Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To the Members of International Organization of Securities Commissions (IOSCO)

### Opinion

We have audited the financial statements of International Organization of Securities Commissions (the Organization), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Secretary General and the Audit Committee for the Financial Statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE, S.L.



Antonio Ríos Cid  
Madrid, June 10, 2022

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.  
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# Financial Statements

## Statement of Comprehensive Income (in Euros)

Year ended December 31, 2021

Notes 1 and 2

	2021	2020
<b>REVENUE</b>		
Contributions from members (Note 3)	5,877,460	5,644,283
Exchange Gain	2,155	-
Other	1,372	5,038
<b>Total Revenue</b>	<b>5,880,987</b>	<b>5,649,321</b>
<b>EXPENSES</b>		
Salaries and employee benefits (Note 4)	3,832,874	3,740,539
Rental and maintenance (Note 13)	80,358	108,929
Travelling	2,255	51,897
Office Supplies	7,901	20,134
Organization and follow up of meetings	-	37,406
Telecommunications	106,091	79,872
Delivery and communication	2,973	1,479
Printing and Annual Report	6,439	7,652
Information Technology	243,475	242,287
Professional fees	355,818	285,195
Educational programs and Technical Assistance (Note 15)	167,737	155,301
Miscellaneous	50,116	45,204
Exchange loss	-	4,612
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	52,526	62,182
<b>Total Expenses</b>	<b>5,008,563</b>	<b>4,942,689</b>
Taxation (Note 11)	-	-
<b>Total comprehensive income for the year net of tax</b>	<b>872,424</b>	<b>706,632</b>

The accompanying notes are an integral part of the financial statements.

## Statement of Financial Position (in Euros)

Year ended December 31, 2021

Notes 1 and 2

	2021	2020
<b>ASSETS</b>		
Current assets		
Cash (Note 6)	10,241,138	9,316,837
Accounts Receivable (Note 8)	504	25,060
Prepaid Expenses (Note 9)	186,681	146,102
	<b>10,428,323</b>	<b>9,487,999</b>
Capital Assets (Note 7)	96,444	128,771
<b>Total Assets</b>	<b>10,524,767</b>	<b>9,616,770</b>
<b>LIABILITIES</b>		
Accounts Payable and accrued liabilities (Note 8)	479,925	486,917
Contributions received in advance (Note 3)	321,755	279,190
<b>Total Liabilities</b>	<b>801,680</b>	<b>766,107</b>
<b>MEMBERS' FUNDS</b>		
Excess of revenue over expenses net of tax (expenses over revenue)	872,424	706,632
Unrestricted members' funds	8,850,663	8,144,031
<b>Total members' Funds</b>	<b>9,723,087</b>	<b>8,850,663</b>
<b>Total liabilities and members' Funds</b>	<b>10,524,767</b>	<b>9,616,770</b>

The accompanying notes are an integral part of the financial statements.

## Statement of Changes in Net Assets (in Euros)

Year ended December 31, 2021

Notes 1 and 2

		2021	2020
	<b>UNRESTRICTED</b>	<b>TOTAL</b>	<b>TOTAL</b>
Balance, beginning of year	8,850,663	8,850,663	8,144,031
Excess of revenue over expenses net of tax (expenses over revenue)	872,424	872,424	706,632
<b>Balance, end of year</b>	<b>9,723,087</b>	<b>9,723,087</b>	<b>8,850,663</b>

The accompanying notes are an integral part of the financial statements.

## Statement of Cash Flows (in Euros)

Year ended December 31, 2021

Notes 1 and 2

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Total comprehensive income for the year net of tax	872,424	706,632
Depreciation of capital assets (Notes 7)	52,526	62,182
Decrease (increase) in working capital items (Note 10)	19,550	(576,709)
<b>Net cash generated</b>	<b>944,500</b>	<b>192,105</b>
<b>INVESTING ACTIVITIES</b>		
Term deposits transactions (Note 6)	-	3,000,000
Capital expenditures (Note 7)	(20,199)	(27,147)
<b>Net cash used</b>	<b>(20,199)</b>	<b>2,972,853</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>924,301</b>	<b>3,164,958</b>
Cash and cash equivalents, beginning of period	9,316,837	6,151,879
<b>Cash and cash equivalents, end of period</b>	<b>10,241,138</b>	<b>9,316,837</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash (Note 6)	10,241,138	9,316,837
	<b>10,241,138</b>	<b>9,316,837</b>

The accompanying notes are an integral part of the financial statements.

## 1 Governing Statutes and Purpose of the Organization

The International Organization of Securities Commission (hereinafter IOSCO or “the Organization”) is an association of securities regulatory organizations. It was incorporated as a non-profit organization under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999 and whose legal framework is constituted, mainly, by the “Headquarters Agreement between the Kingdom of Spain and the International Organization of Securities Commissions” published in the Spanish Official State Bulletin on 17 December 2011 (HQA), and having its domicile in Madrid.

IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. Its current membership comprises regulatory bodies from over one hundred and thirty jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

The IOSCO Objectives and Principles of Securities Regulation have been endorsed by both the G20 and the FSB as the relevant standards in this area. They are the overarching core principles that guide IOSCO in the development and implementation of internationally recognized and consistent standards of regulation, oversight and enforcement. They form the basis for the evaluation of the securities sector for the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund (IMF) and the World Bank.

By providing high quality technical assistance, education and training, and research to its members and other regulators, IOSCO seeks to build sound global capital markets and a robust global regulatory framework.

The IOSCO objectives are:

- > to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- > to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- > to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

## 2 Accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are prepared in Euros which is the organization's functional currency.

These financial statements were authorized for issue by the Secretary General of the Organization on 9 June 2022.

### Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at cost or at amortized costs.

### Accounting estimates

The preparation of these financial statements, which are in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

### Revenue and cost recognition

Membership contributions are recognized as income only upon accrual and receipt. When contributions are received in advance and designated for future reporting periods, they are recognized as liabilities (revenue received in advance).

Operating costs are recognized as an expense when incurred.

### Employee entitlements

Employee salaries, social security and other related benefits are recognized in the Statement of the Comprehensive Income when they are earned. Contributions to staff pension plans and retirement entitlements are recognized when they become due.

### Capital assets

Capital assets are recorded at cost less accumulated depreciation. Any impairment in the net recoverable amount as compared to the net carrying amount is recognized immediately.

Gains and losses on disposal are included in the Statement of Comprehensive Income.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Furniture and fixtures	Straight-line	20%
Computer equipment		
Computers and Software	Straight-line	33%
Servers and Printers	Straight-line	20-25%
Audio-visual	Straight-line	14-20%

### Foreign currency translation

Given that the Organization's functional and presentational currency is Euros, foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are recognized in the Statement of Comprehensive Incomes when they arise.

Monetary assets and liabilities denominated in foreign currencies are recognized in Euros at the foreign exchange rate at the end of the reporting period. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income.

## 3 Revenue

Contributions from members include: (1) membership fees collected during the year, corresponding to contributions due for the reporting period, (2) previous reporting periods and (3) contributions from agencies applying for membership.

Other revenue comprises primarily interest income from term deposits and other revenue from the disposal of aging equipment (see Note 6).

The account "Contributions received in advance" of the statement of financial position at 31 December 2021 includes funding received from members in 2021, amounting to €321,755 which is designated for subsequent periods (contributions of €279,190 received in advance during 2020). Part of these contributions correspond to membership fees and contributions received in advance associated to the Secondments Program, together with the remainder corresponding to contributions received in advance from nominated Board members to fund the 2015 Capacity Building Program (see note 14).

The detail of contributions received in advance is provided in the chart below:

	2021	2020
Members' contributions	309,811	267,246
2015 Capacity Building Program	11,944	11,944
<b>Total contributions received in advance</b>	<b>321,755</b>	<b>279,190</b>

(in Euros)

## 4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2021 and 2020 is shown in the chart below:

	2021			2020		
	Men	Women	Total	Men	Women	Total
Permanent staff	15	12	27	14	12	26
Secondees	3	3	6	3	3	6
Intern	-	1	1	-	1	1
<b>Total Staff</b>	<b>18</b>	<b>16</b>	<b>34</b>	<b>17</b>	<b>16</b>	<b>33</b>

Total salary and employee benefits' cost are shown in the chart below:

	2021	2020
Gross salaries	3,026,552	2,991,261
Spanish social security	429,823	389,882
Other social benefits	376,499	359,396
<b>Total salaries and employee benefits</b>	<b>3,832,874</b>	<b>3,740,539</b>

(in Euros)

Other social benefits include the contributions to employees' medical insurance, moving and relocation costs and the contributions made by IOSCO to employees' defined contribution pension plans. On an annual basis, the IOSCO Board approves the Organization's budget, including a line item related to salaries and employee benefits, which includes a provision for pension plan contributions for permanent staff. The pension contribution was operationalized in a Unit Linked managed by Aegon España, S.A.U. de Seguros y Reaseguros. This, along with other staff pension allowances amounted to €239,448 (€232,099 in 2020).

In 2021, the Organization had the benefit of seconded staff from the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), Financial Services Commission of Mauritius, the Securities and Exchange Commission of Nigeria (SEC), the Securities and Exchange Commission of Thailand and the Financial Conduct Authority of United Kingdom (FCA).

To extend to secondees the benefits granted to IOSCO staff by the HQA, the Organization typically enters, as part of the secondment program into a trilateral agreement with the sponsoring member and the secondee, whereby it offers the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat on a temporary basis. These contributions generally cover a portion of the seconded staff's salary costs paid through the Organization. Revenue is recognized based on the terms, amounts and payment schedule determined by the Secondment agreement between the Organization and the sponsoring member. The amounts payable to the secondee as part of the respective employment contract are recognized and accrued as an expense. To enhance comparability, the amounts corresponding to the secondment program, both in terms of revenue and expenditure, have been offset in the Statement of Comprehensive Income. Consequently, the net difference between revenue and subsidized costs arising from social security adjustment is recognized on a net basis in the income statement under the "Salaries and employee benefits" account, as shown in the chart below:

	2021	2020
Revenue associated to the Secondment Program	238,782	328,645
Subsidized expenditure associated to the Secondment Program	(246,514)	(338,699)
<b>Net as at December 31</b>	<b>(7,732)</b>	<b>(10,054)</b>

(in Euros)

In addition, as part of the secondment agreements and in compliance with the IOSCO Secondment Program, IOSCO assumes certain costs, which are also recognized in the income statement in the "Salaries and employees benefits" account, including costs related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to €78,632 (€101,970 for the year 2020).

In a minority of cases no trilateral agreement is executed because the sponsoring member continues to provide all the employment, administrative and financial requirements with respect to the secondee. When this occurs, IOSCO has no direct, formal employment link with the secondee and has no financial obligation. Accordingly, revenue and the related expenditure are not accrued.

## 5 PIOB Funding

The Public Interest Oversight Board (PIOB) was formally established in February 2005 as part of the IFAC Reform Proposals with the objective to increase investor and other stakeholder confidence that IFAC's public interest activities, including standard setting by IFAC's independent boards, are properly responsive to the public interest.

With a view to diversifying funding sources for the PIOB, the IOSCO Executive Committee decided in October 2011 to provide the PIOB with a direct financial contribution of one hundred thousand Euros per year, starting in 2013.

IOSCO contributed €100,000 to the PIOB in 2021 and in 2020.

## 6 Cash and Term Deposits

Cash is held in non-remunerated current bank accounts denominated in Euros in Caixabank, Santander Private Banking, Bankinter and BBVA, all EU entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts.

## 7 Capital Assets

	Furniture and fixtures	Computer equipment	2021 Total
At the lower of recoverable value and cost			
Balance, beginning of year	289,744	751,415	1,041,159
Additions	-	20,199	20,199
Disposals			
<b>Balance, end of year</b>	<b>289,744</b>	<b>771,614</b>	<b>1,061,358</b>
Accumulated depreciation			
Balance, beginning of year	(198,724)	(713,664)	(912,388)
Depreciation	(27,768)	(24,758)	(52,526)
Disposals			
<b>Balance, end of year</b>	<b>(226,492)</b>	<b>(738,422)</b>	<b>(964,914)</b>
<b>Net as at December 31, 2021</b>	<b>63,252</b>	<b>33,192</b>	<b>96,444</b>

(in Euros)

	Furniture and fixtures	Computer equipment	2020 Total
At the lower of recoverable value and cost			
Balance, beginning of year	289,744	724,268	1,014,012
Additions	-	27,147	27,147
Disposals			
<b>Balance, end of year</b>	<b>289,744</b>	<b>751,415</b>	<b>1,041,159</b>
Accumulated depreciation			
Balance, beginning of year	(168,239)	(681,967)	(850,206)
Depreciation	(30,485)	(31,697)	(62,182)
Disposals			
<b>Balance, end of year</b>	<b>(198,724)</b>	<b>(713,664)</b>	<b>(912,388)</b>
<b>Net as at December 31, 2020</b>	<b>91,020</b>	<b>37,751</b>	<b>128,771</b>

(in Euros)

## 8 Accounts receivable and accounts payable and accrued liabilities

### a) Accounts receivable

	2021	2020
Secondment contributions (See Note 4)	-	-
Other	504	25,060
<b>Total Accounts receivable</b>	<b>504</b>	<b>25,060</b>

(in Euros)

### b) Accounts payable and accrued liabilities

	2021	2020
Professional services	97,870	111,528
Occupancy (See Note 13)	55,896	82,467
Spanish Taxes (employee's income tax withheld) and Social Security	181,435	182,849
Contractual staff commitments (See Note 4)	13,361	9,828
Travel	910	278
Other	130,453	99,967
<b>Total Accounts payable and accrued liabilities</b>	<b>479,925</b>	<b>486,917</b>

(in Euros)

The balance of "Accounts payable and accrued liabilities - Others" of the detail above includes, primarily, the invoices pending receipt.

## 9 Prepaid expenses

Prepaid expenses comprise advance payments in the reporting period relating to services to be rendered in subsequent periods. They are carried on the balance sheet until the service is rendered and expenses are recognized in the income statement.

Detail of prepaid expenses at 31 December 2021 and 2020 is as follows:

	2021	2020
Travel booked in advance for subsequent periods	2,960	-
Professional fees and IT	170,388	132,181
Other	13,333	13,921
<b>Total Accounts payable and accrued liabilities</b>	<b>186,681</b>	<b>146,102</b>

(in Euros)

## 10 Information Included in the Statement of Cash Flows

The increases (decreases) in working capital items are detailed as follows:

	2021	2020
Accounts receivable	24,556	(17,543)
Prepaid expenses	(40,579)	(102,499)
Accounts payable and accrued liabilities	(6,992)	(14,751)
Contributions received in advance	42,565	(441,916)
<b>Increases (decreases) in working capital</b>	<b>19,550</b>	<b>(576,709)</b>

(in Euros)

## 11 Taxation

On 29 December 1999, the Spanish Parliament passed legislation (Law 55/1999), to exempt the Organization from Spanish income tax. On 23 November 2011, IOSCO signed a Headquarters Agreement with the Kingdom of Spain which also incorporates the same income tax exemption.

## 12 Government Assistance

Under the headquarters agreement, the Spanish Authorities grant IOSCO the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance costs (e.g., electricity, water, elevator maintenance). The estimated revenue in kind associated with the 56% share is €328,364 for 2021.

IOSCO has also entered into an agreement with the Spanish securities regulator, Comisión Nacional del Mercado de Valores (CNMV), under which the parties agreed that the CNMV would be responsible for meeting the costs of security and maintenance of security systems on the IOSCO premises; insuring the premises; and covering municipal and local property taxes. These revenues in kind have been estimated at €90,604.58 for 2021 (€83,257 in 2020).

## 13 Rental and Maintenance

	2021	2020
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	55,896	82,467
Other external maintenance services	24,462	26,462
<b>Total rental and maintenance</b>	<b>80,358</b>	<b>108,929</b>

(in Euros)

## 14 | 2015 Capacity Building Program

In June 2014, the IOSCO Board approved a pilot program for additional capacity building activities to be carried out by the General Secretariat. These activities included the creation of an Online Toolkit and the organization of two additional regional training seminars. These capacity building activities for IOSCO members are in addition to the long-standing and on-going IOSCO education and training activities.

The Board also agreed that the pilot program would be funded by a one-off contribution of €15,000 from each nominated member to the IOSCO Board, to be paid in 2015 as a supplement to their 2015 annual membership contribution fees. The IOSCO Presidents Committee ratified this agreement in its resolution 2/2014.

IOSCO received a total of €240,000 in 2015 from 16 nominated Board members.

The total costs incurred since the approval of the pilot program for CB activities is €228,056. During the course of 2017, the Board agreed to use the unspent funds to further enhance the pilot program. In 2019 IOSCO spent €105,575 to support and develop the pilot program. No costs have been incurred in 2020 and 2021. There is still a slight remainder of the 2015 CB program (€11,944) that will be carried over to 2022.

The unspent funds of €11,944 have been recognized as contributions received in advance from members (see note 3).

## 15 Capacity Building: Education and Training and Technical Assistance

The total costs incurred in Capacity Building activities in 2021, covering both Education and Training and Technical Assistance, is €167,737 (€155,301 in 2020). The expenditure in 2021 is in line with 2020 explained by the cancellation or suspension of a significant number of projects and events, given the impact on travel restrictions caused by the COVID-19 pandemic.

IOSCO runs on an annual basis a comprehensive capacity building program aimed to assist IOSCO members with their training needs and to help them implement the IOSCO Principles and meet the requirements of the IOSCO Multilateral Memorandum of Understanding on Cooperation and Exchange of Information (MMoU).

These programs leverage on the experience and expertise at the IOSCO Secretariat and the IOSCO membership to promote market development and strengthen the regulatory and supervisory capacity of securities regulators.

In the area of education and training, IOSCO holds several important annual events, including the IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets, the IOSCO Seminar Training Program, the Joint IOSCO-Financial Stability Institute Conference, the IOSCO Affiliate Members Consultative Committee Training Seminar and several workshops tailored to the Growth and Emerging Markets Committee of IOSCO.

IOSCO's Technical Assistance Program encompasses several programs, assistance and other capacity building tools, including: (i) technical assistance for members and non-members, (ii) Data Sharing Platform, (iii) Capacity Building Online Toolkit, and (iv) Capacity Building for Self-Assessments. It consists of modular technical assistance programs covering: (i) onsite inspection manuals, (ii) enforcement manuals, and (iii) the MMoU. The modular programs are designed to assist IOSCO members with the on-site inspection process for the supervision of investment firms and asset managers, during the enforcement process in their specific jurisdictions with detailed information about the approach to enforcement, conduct of investigations, investigative practices, cooperation, privileges and protection, and settlement.

In the area of enforcement and information exchange, IOSCO assists non-signatories of the IOSCO MMoU in their efforts to sign the MMoU by guiding them through the process. The assistance provided through the IOSCO General Secretariat provides procedural guidance and assists with progressing with their applications as soon as possible.

Additionally, IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur (the Hub) in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative established IOSCO's first regional hub to deliver capacity building activities to securities markets regulators in a specific region. The running of the Hub does not have any financial implications for IOSCO. All costs related to the activities and operations of the Hub, including personnel, physical premises and facilities, maintenance, IT and other operating costs are supported by the host.

## 16 Auditors' remuneration

The total remuneration to be paid by IOSCO to its auditors in 2021 is €9.682 (€9,400 in 2020).

## 17 Subsequent Events

At the date of preparation of these financial statements, many jurisdictions around the globe continue to be significantly affected by the COVID-19 pandemic. In March 2020, IOSCO activated its Business Contingency Plan to ensure the continuity of its operations in an efficient way including servicing its committees and membership on a remote basis.

During 2021, IOSCO has not experienced any significant impact in its ability to continue with its operations or any material impact on its overall financial position, liquidity or asset or liability valuation risks. IOSCO continues to monitor the evolution of the pandemic in order to successfully address any possible impacts, both financial and non-financial, that may occur. In any case, it is expected that these events will not affect IOSCO's continuity.