

# MEDIA RELEASE



International Organization of Securities Commissions  
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## **IOSCO Publishes results of the third annual Risk Outlook Survey**

The Research Department of the International Organization of Securities Commissions (IOSCO) today published a Staff Working Paper entitled [\*Risk Outlook Survey: Detailed methodology and results 2015\*](#), which provides a detailed analysis of responses to its annual Risk Outlook Survey.

The views expressed in this Staff Working Paper are solely those of the IOSCO Research Department and do not necessarily reflect the views of IOSCO or its members.

The survey is an annual exercise formulated to collect the views of financial market regulators and experts globally on those risk areas that are of concern. This edition of the survey was conducted in March/April 2015. The main purpose of the survey is to gather views on risks to and within securities markets and to help identify or highlight pockets of risk that may not be captured by normal statistical analysis or desk research.

This is the fourth year that IOSCO Research has conducted this particular exercise. Unlike previous editions of the survey, the latest iteration expanded the line of questioning to include not only risks to financial stability, but also the risks to investor protection and to the fair, efficient and transparent operation of markets. The exercise now covers the three main objectives of IOSCO.

The focus on a broader range of risks is in line with the IOSCO mission and was identified as a key priority for Research in the recently published IOSCO's Strategic Direction 2016 to 2020.

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The report offers a synthesis of expert opinions. The main areas of concern highlighted by the report are:

- In the areas of financial stability, cyber-security threats to financial markets are now considered a prominent risk by respondents, while micro-prudential risks are clustered around the areas of corporate governance, financial risk disclosure, shadow-banking activities, harmful conduct especially, regulatory policy;
- Most respondents saw financial stability risks to the system either being transmitted or amplified by securities markets. Regarding the economy, respondents thought that banking vulnerabilities, housing markets and capital flow volatility would have considerable impact on the real economy if these risks materialised;
- In the area of investor protection, survey participants identified harmful conduct as the top risk; harmful behaviour by capital market participants damages the proper function of the capital market, harms the investing public and undermines public confidence and trust in capital markets;
- Market liquidity, especially that of secondary trading in bond markets, was considered by respondents to be the biggest challenge to fair and efficient markets-- an interesting finding given that much of the recent global commentary has been about the systemic implications (not market efficient implications) of such a risk.

## **Background to the Report:**

Following the outbreak of the current financial crisis, IOSCO adopted a new strategic direction that emphasised the need for securities regulators to identify, monitor and manage systemic risks. To that end, IOSCO established a research function comprised of a Research Department at the General Secretariat and the IOSCO Committee on Emerging Risks (CER).

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The Research Department is cognisant that the world is moving inexorably towards a more market-based, interconnected, financing model, as credit institutions face higher capital requirements, constraining their ability to lend. In this context, Research supports IOSCO's efforts to create strong, transparent and appropriately regulated securities markets, which are essential to the sound functioning of the global economy and its recovery. Monitoring key pockets of risk is critical to fulfilling this function. It is this point that this staff working paper addresses. The results of this survey constitute an important input to the annual production of the *IOSCO Securities Market Risk Outlook*, which will be posted in late December 2015.

The IOSCO Research Department Staff Working Papers series can be found at [http://www.iosco.org/research/?subSection=staff\\_working\\_papers](http://www.iosco.org/research/?subSection=staff_working_papers). Going forward, it will publish two further volumes on corporate bond markets from a regional perspective.

## NOTES TO THE EDITORS

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO). The Board is made up of 34 securities regulators. Mr Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Italy, Japan, Kenya, Korea, Malaysia, Mexico, the Netherlands, Nigeria, Ontario, Pakistan, Peru, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Trinidad and Tobago, Turkey, United Kingdom and the United States.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavours 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.

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## 4. IOSCO aims through its permanent structures:

- 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.

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