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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

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Bali, 21 January 2016

Emerging market regulators reinforce commitment to strengthen resilience while ensuring fair and orderly markets

Global emerging capital market regulators met this week in Bali, Indonesia, at the IOSCO Growth and Emerging Markets (GEM) Committee annual meeting hosted by the Indonesian Financial Services Authority to further work on strengthening systemic resilience while remaining alert to market risks.

Risks in emerging capital markets

At the roundtable discussion with leading global market analysts, the GEM Committee discussed current global financial risks including the implications of declining economic growth and divergent monetary policies including uncertainties in the US Fed's interest rate path, slowdown of the Chinese economy, decline in commodity prices, enhanced market volatility and their effects on emerging markets. Discussions also focused on the factors underlying some tight liquidity conditions and pressures on emerging markets corporate debt exposure, particularly given rising US dollar and interest rates.

The GEM Committee underlined the importance for emerging markets to continue to demonstrate an ability to withstand heightened volatility surrounding the global economy. In this current sentiment-driven environment, it is critical that emerging market regulators continue to

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enhance structural resiliency and focus on building strong fundamentals and robust governance. Other important imperatives include policy and regulatory certainty, having in place sound market microstructure and strengthening domestic institutional capabilities. The GEM Committee is committed to continuing its regular engagements with market participants to effectively identify and address key risks.

The Chairman of the GEM Committee, Ranjit Ajit Singh said “*Ongoing structural shifts in an increasingly interconnected global financial landscape and synchronised cycles require deep and resilient capital markets that are able to withstand global volatility whilst allowing markets to operate in an orderly manner*”.

Regulatory policy priorities

During the meeting, the GEM Committee discussed its on-going work on digitalisation and the regulatory impact of financial technology (FinTech) on regulation, supervision, market surveillance, as well as the implications on market risks, incentives and behaviour. Members also discussed its current work on strengthening corporate governance and conduct in markets, noting the importance of high standards of corporate governance in ensuring robust capital markets and building international investor confidence.

Strengthening cyber resilience in emerging markets

The GEM Committee also held a regulatory exercise featuring a world first cyber-attack simulation involving participants across more than 40 jurisdictions, and focused specifically on the role of securities regulators when dealing with cyber-attacks on regulated entities. The

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simulation provided a critical platform to raise awareness of the consequences of the evolving cyber-threat and to discuss effective responses.

The GEM Committee identified the over-arching themes during the simulation as “(1) *the need to have a clear, well-defined and institutionalised crisis management plan in place; (2) to balance a proactive and reactive regulatory approach to respond and facilitate recovery in the event of a major cyber breach affecting regulated entities;*(3) *importance of cross-border cooperation and information sharing; and (4) importance of effective and clear communication with the general public, investors, affected entity, other market participants, law enforcement and other agencies and bodies*”.

Conference on innovation and governance in emerging markets

The GEM Committee will hold a public Conference on *Optimising Innovation and Strengthening Governance in Emerging Markets* on 22 January 2016, which will be officiated by Darmin Nasution, the Indonesian Coordinating Minister for Economic Affairs. Discussions will focus on innovative initiatives to support market based financing for SMEs in emerging markets, the opportunities and regulatory responses arising from FinTech and the importance of corporate governance in promoting investor protection in emerging markets.

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.

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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 (GEM) Committee is the largest Committee within IOSCO with 97 members, representing almost 80% 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 Committee. The Committee endeavors 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.

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;

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- 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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