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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/13/2018

Budapest, 10 May 2018

IOSCO Annual Conference focuses on key challenges facing securities regulators

Members of the International Organization of Securities Commissions (IOSCO) met at the organization’s 43rd Annual Conference in Budapest this week to discuss and address issues facing securities market regulators and supervisors today.

In their meetings, the IOSCO Board, IOSCO’s Growth and Emerging Markets (GEM) Committee, the four Regional Committees and the Affiliate Members Consultative Committee (AMCC) advanced their initiatives aimed at protecting investors, ensuring fair, efficient and transparent markets, and mitigating systemic risk.

The public sessions of the conference opened today and focus on four key issues: (1) the sale of unsuitable products to retail investors; (2) the challenges of Fintech and digitalization, (3) the shift from active to passively managed collective investment schemes, and (4) SME access to funding through capital markets.

The Magyar Nemzeti Bank, the Hungarian central bank, hosted the 2018 Annual Conference, which has attracted some 650 securities regulators, industry representatives and other financial market participants from around the world.

Ashley Alder, Chair of the IOSCO Board, said: “*IOSCO members have taken important steps this week to advance IOSCO’s priority work in focus areas such as market resilience, financial*

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technologies, and information sharing among securities market regulators, while addressing the biggest risks to investor protection, market integrity and financial stability.”

Investor protection and investor education

The Board discussed how best to approach the continuing growth of Initial Coin Offerings (ICOs). It agreed to develop a Support Framework to assist members as they consider how to address the domestic and cross-border issues stemming from coin offerings that could impact investor or consumer protection.

The Board also made progress on its work to protect retail investors from the risks stemming from the offer of binary options and other OTC leveraged products, particularly by unlicensed firms on a cross-border basis. Members discussed enforcement practices found to be effective in mitigating the risks of these products to unsophisticated retail investors. In addition, the Board reviewed proposed measures to help members regulate retail OTC leveraged products, including:

- A toolkit of policy measures with guidance for members to regulate the offer and sale of these products by intermediaries; and
- A toolkit of investor education material with guidance about the products and the firms that sell them.

Strengthening the structural resilience of capital markets

In the area of asset management, the Board discussed exchange traded funds and heard from an IOSCO member-led group conducting an exploratory workstream linking any idiosyncratic risks that may arise from ETF structures. It also reviewed the progress of IOSCO’s efforts to complete its work on measuring leverage in investments funds. This work forms part of IOSCO’s commitment to take forward the relevant Financial Stability Board (FSB) recommendations to address potential structural vulnerabilities related to asset management activities.

In the area of standards implementation, the Board supported a proposal to assess the consistency in implementation by various IOSCO members of money market fund (MMF) reforms against IOSCO’s

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2012 recommendations for MMFs. The MMF reforms are a key component of G20 efforts to transform shadow banking into resilient market-based finance in the wake of the global financial crisis.

Members also supported a proposal for a third implementation review of the *Principles for the Regulation and Supervision of Commodity Derivatives Markets*. IOSCO issued the principles in 2011 to ensure a globally consistent approach to oversight that aims to improve price transparency and deter market manipulation in the commodity derivatives markets.

Addressing information sharing issues

Board members discussed the implications for IOSCO of the European Union General Data Protection Regulation (GDPR), the European data privacy regime that takes effect in all EU member states from 25 May 2018. The Board discussed how the GDPR interacts with information sharing and cross-border cooperation among IOSCO members under the IOSCO Multilateral Memorandum of Understanding (MMoU) on cooperation and exchange of information and it will continue to engage with European authorities to address any issues that are identified as the GDPR is implemented. The MMoU is the primary instrument used by securities regulators to combat cross-border misconduct in financial markets.

Analyzing the role of securities markets in sustainability issues, and the related role of securities regulation

Board members shared their experiences regarding non-financial reporting, sustainability disclosures and other aspects of sustainable finance in their jurisdictions. They agreed to establish an information-sharing network among IOSCO members to gain insight into the issues around sustainability, including the details of issuer disclosure and its relevance to investor decision making. The Board discussed the work of the GEM Committee in enabling sustainable capital markets in emerging markets. Many GEM Committee members are adopting frameworks designed to foster the growth of sustainable instruments and enhance transparency and disclosure.

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Examining the role of regulation in financial technology and automation

The Board agreed to launch a Fintech Network to facilitate the sharing of information, knowledge, and experiences related to FinTech among IOSCO members. The Fintech Network also will serve as a forum for collaborative work on regulatory issues, trends, and emerging risks.

Inauguration of the New IOSCO Board

On Wednesday, IOSCO inaugurated a new Board (see notes to the editors below). The new Board confirmed Mr. Ashley Alder, Chief Executive Officer, Securities and Futures Commission, Hong Kong, as its Chair, and Mr. Jean Paul Servais, Chairman of the Financial Services and Markets Authority, Belgium, as its Vice Chair.

New signatories to the MMoU and the Enhanced MMoU (EMMoU)

The following members were formally recognized at the Annual Conference for becoming signatories to the IOSCO MMoU, taking the total number of signatories to 118 out of 146 eligible IOSCO members:

- Armenia, Central Bank of Armenia
- Dominican Republic, Superintendencia del Mercado de Valores
- Zambia, Securities and Exchanges Commission

Of the 118 MMoU signatories, five were recognized in Budapest as signatories to the Enhanced Multilateral Memorandum of Understanding (EMMoU). The EMMoU was introduced in 2017 to expand the range of enforcement powers that signatories may use to safeguard the integrity and stability of markets, protect investors, and deter misconduct and fraud. These powers were introduced in light of the new enforcement challenges spawned by growing cross-border activity and far-reaching technological developments in securities markets. The signatories are:

- Australia, Australian Securities and Investments Commission
- Canada, British Columbia Securities Commission
- Hong Kong, Securities and Futures Commission

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- Singapore, Monetary Authority of Singapore
- United Kingdom, Financial Conduct Authority

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). Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. **Until 8 May, the Board was comprised of** the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Korea, Malaysia, Mexico, Morocco, the Netherlands, Ontario, Pakistan, Panama, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America. The European Securities and Markets Authority (ESMA) and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.

From 9 May, the members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Kenya, Kuwait, Malaysia, Mexico, the Netherlands (observer), Ontario, Pakistan, Panama, Portugal, Quebec, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, the United Kingdom, United States of America. The European Securities and Markets Authority (ESMA) and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members. Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
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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