

## MEDIA RELEASE



International Organization of Securities Commissions  
Organisation internationale des commissions de valeurs  
Organização Internacional das Comissões de Valores  
Organización Internacional de Comisiones de Valores  
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/31/2018

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### **IOSCO seeks feedback on proposed framework for assessing leverage in investment funds**

The Board of the International Organization of Securities Commissions (IOSCO) is requesting feedback on a proposed framework to help measure leverage used by investment funds which in some circumstances could pose financial stability risks.

The proposed framework, outlined in [\*IOSCO Report: Leverage\*](#), comprises a two-step process aimed at achieving a meaningful and consistent assessment of global leverage. The first step indicates how regulators could exclude from consideration funds that are unlikely to create stability risks to the financial system while filtering and selecting a subset of other funds for further analysis.

The second step calls for regulators to conduct a risk-based analysis of the subset of investment funds identified in the first step. The consultation paper principally focuses on the first step, although it also invites feedback on both the second step and the design of the two-step approach.

IOSCO does not prescribe a particular set of metrics or other analytical tools. Instead, each jurisdiction is expected to determine which is the most appropriate risk assessment for it to adopt, given that some risk-based measures are not appropriate for all funds.

The two-step framework seeks an appropriate balance between achieving precise leverage measures and devising simple, robust metrics that can be applied in a consistent manner to a wide range of funds in different jurisdictions. It also addresses synthetic leverage, by including exposure created by derivatives; considers different approaches to analyzing netting and hedging and the directionality of positions; and includes approaches that limit model risk.

The consultation paper responds to a request made in the Financial Stability Board’s 2017 report *Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities*, which provides policy recommendations to address risks to global financial stability arising from potential structural vulnerabilities that may result from asset management activities.

Recommendation 10 in the FSB report asks IOSCO to “*identify and or develop consistent measures of leverage in funds to facilitate more meaningful monitoring of leverage for financial stability purposes and help enable direct comparisons across funds and at a global level. IOSCO should also consider identifying and/or developing more risk-based measure(s) to complement the initial measures with a view to enhance authorities’ understanding and monitoring of risks that leverage in funds may create. In both cases, IOSCO should consider appropriate netting and hedging assumptions and where relevant build on existing measures.*”

**IOSCO welcomes comments on the consultation report on or before 1 February 2019.**

## **NOTES TO THE EDITORS**

### **About IOSCO**

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), and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. 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, Korea, Malaysia, Mexico, the Netherlands (observer), Ontario, Pakistan, Panama, Portugal, Quebec, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States of America. The Chair of 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;
- 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.

5. This media release also is available in other languages. Those translations have not been verified by the IOSCO General Secretariat and any formal reference should therefore be made to this original English-language version.

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