MEDIA RELEASE

International Organization of Securities Commissions
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المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/15/2019

Madrid, 5 June 2019

Emerging Market regulators issue recommendations related to sustainable finance

Securities regulators from growth and emerging markets today published a report that sets forth recommendations related to the development of sustainable finance in emerging markets and the role of securities regulators in this area.

IOSCO´s Growth and Emerging Market Committee (GEMC) today published the report *Sustainable finance in emerging markets and the role of securities regulators*, which provides 10 recommendations for emerging market member jurisdictions to consider when issuing regulations or guidance regarding sustainable financial instruments. Among other things, the recommendations include requirements for reporting and disclosure of material Environmental, Social and Governance (ESG) specific risks, aimed at enhancing transparency.

The report explores the trends and challenges that influence the development of sustainable finance in emerging capital markets. It also provides an overview of the initiatives that regulators, stock exchanges, policy makers and others key stakeholders in emerging markets have undertaken in this area. The report identifies the pre-requisites for creating an ecosystem that facilitates sustainable finance, such as an appropriate regulatory framework and fit-for-purpose market infrastructure, reporting and disclosure requirements, governance and investor protection guidelines and mechanisms to address needs and requirements of institutional investors.

Given the global nature of sustainable instruments, the GEMC believes its recommendations will benefit both issuers and investors by improving the consistency of regulation of sustainable finance in emerging markets. It encourages its members to consider implementation of this guidance in the context of their legal and regulatory framework, given the significance of the associated risks and opportunities.

The recommendations fall into the following categories:

- Integration by issuers and regulated entities of ESG-specific issues in their overall risk assessment and governance (Recommendation 1);
- Integration by the institutional investors of ESG-specific issues into their investment analysis, strategies and overall governance (Recommendation 2);
- ESG-specific disclosures, reporting and data quality (Recommendation 3);
- Definition and taxonomy of sustainable instruments (Recommendation 4);
- Specific requirements regarding sustainable instruments (Recommendations 5 to 9); and
- Building capacity and expertise for ESG issues (Recommendation 10).

Marcos Ayerra, Co-chair of the GEMC Working Group on Sustainability in Emerging Markets (WGS), and Chair of the Comisión Nacional de Valores, Argentina, said: "*The report seeks to help securities regulators understand and address the issues and challenges impacting the development of sustainable finance in capital markets. Its conclusions highlight the important role that regulators can play in promoting sustainable finance as a driver of long-term economic development in emerging market jurisdictions.*"

Syed Zaid Albar, Co-chair of the GEMC WGS and Chairman of the Securities Commission Malaysia, said: *The GEMC report is a valuable resource for emerging market regulators seeking to facilitate sustainable finance and long-term value growth in their jurisdictions. The report offers recommendations that can help regulators in emerging markets develop key aspects of sustainable finance, including transparency and disclosure of material ESG risks."*

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, 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 (both the U.S. Commodity Futures Trading Commission and U.S. Securities and Exchange Commission). 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. Dr. Obaid Al Zaabi, Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates, 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.

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