

MEDIA RELEASE



International Organization of Securities Commissions
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المنظمة الدولية لهيئات الأوراق المالية

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IOSCO reviews member efforts to deter mis-selling of complex financial products

IOSCO today published a [Thematic Review report](#) (Report) indicating that most of the participating jurisdictions have implemented the necessary rules aimed at preventing the mis-selling of complex financial products, consistent with IOSCO standards.

The Thematic Review was conducted by the IOSCO Assessment Committee (AC), with the participation of 29 IOSCO members from both developed and emerging market jurisdictions. A Thematic Review offers a snapshot of implementation of IOSCO Principles, which enables the AC to identify gaps in implementation and examples of good practice.

The AC reviewed implementation of the nine Principles set out in the 2013 IOSCO report [Suitability Requirements with respect to the Distribution of Complex Financial Products](#). The nine Principles are aimed at promoting robust customer protection by preventing the mis-selling of complex financial products. The Principles focus on the application of suitability and related disclosure requirements to intermediary services, including selling, advising, recommending and managing discretionary accounts or portfolios, as well as the regulator's role in supervision and enforcement.

The Report includes several findings and observations from the Thematic Review, including for instance, that most jurisdictions have standards for how to treat customers fairly and for addressing conflicts of interest. In addition, the majority of jurisdictions require intermediaries to distinguish between complex and non-complex products despite the fact that what constitutes a complex financial product differs among jurisdictions. Notably, none of the

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participating jurisdictions reported having a suitability regime specifically for complex products.

The Report found that with respect to customer classification, most jurisdictions allow intermediaries to classify certain types of customers as “non-retail” (or its equivalent), based on the nature of the entity or specified monetary thresholds alone. However, these practices do not consider the complexity and riskiness of different products, as required by the Principles.

The review also found that FinTech developments related to digital advisors and online platforms have created new suitability-related challenges.

In light of the findings and observations, the Report indicates that jurisdictions must have effective supervisory and enforcement mechanisms to support suitability regimes for complex products and to ensure that intermediaries take corrective action where their behavior falls short of supervisory or regulatory expectations. The Report also urges jurisdictions to consider enhancing disclosure requirements to help customers make informed investment decisions and understand the advice they receive from intermediaries.

IOSCO will continue conducting other Thematic Reviews on topics that are relevant for achieving the organization’s objectives, including investor protection.

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

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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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