

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/31/2019

Madrid, 13 December 2019

IOSCO launches framework for monitoring leverage in funds that may pose stability risks

The Board of the International Organization of Securities Commissions (IOSCO) today unveiled a two-step framework designed to facilitate monitoring of leverage in investment funds that could potentially pose risks to financial stability.

The framework, outlined in the report on [*Recommendations for a Framework Assessing Leverage in Investment Funds*](#), comprises a two-step process aimed at achieving a meaningful and consistent assessment of leverage-related risks of a fund or group of funds. The recommendations aim to achieve a balance between precise leverage measures and simple, robust metrics that regulators can apply consistently to the wide range of funds offered in different jurisdictions.

IOSCO recommends that regulators use this leverage framework as a basis for their assessment of leverage-related risks in funds. Step 1 indicates how regulators could exclude from consideration funds that are unlikely to produce financial stability risks while identifying a subset of funds for further analysis that may pose such risks. Step 2 entails a risk-based analysis of the subset of funds identified in Step 1.

For Step 1, IOSCO recommends that regulators use Gross Notional Exposure (GNE) or adjusted GNE as baseline analytical tools. By collecting information on long and short exposure, on an asset class basis, the regulatory community will gain greater insight on the direction of leverage.

For Step 2, IOSCO recommends that each regulator determine its approach to define appropriate risk-based measures for analyzing funds identified under Step 1 that may potentially pose significant leverage-related risks to the financial system.

Ashley Alder, Chair of the IOSCO Board, said: *“IOSCO has developed the first comprehensive approach to monitoring leverage across all types of investment funds globally. It provides a framework to help regulators assess leverage-related risks that can undermine the efficient functioning of markets.”*

Based on the available data, IOSCO will publish an annual report reflecting leverage trends within the asset management industry at a global level. The first report is scheduled to be published in 2021. IOSCO intends to gradually expand subsequent reports to include more jurisdictions.

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) and is made up of 34 securities regulators. 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, Malaysia, Mexico, Ontario, Pakistan, Panama, Portugal, Quebec, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom, and 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 observers.
3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing over 75 per cent of the IOSCO membership, including 10 of the G20 members. Dr. Obaid Al Zaabi, Chief Executive Officer, Securities and Commodities Authority, United Arab Emirates 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 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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