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International Organization of Securities Commissions
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المنظمة الدولية لهيئات الأوراق المالية

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IOSCO consults on AI/ML guidance for market intermediaries and asset managers

The Board of the International Organization of Securities Commissions is requesting feedback on proposed [guidance](#) to help its members regulate and supervise the use of Artificial Intelligence (AI) and Machine Learning (ML) by market intermediaries and asset managers.

The use of these technologies may benefit firms and investors, such as by increasing execution speed and reducing the cost of investment services. However, it may also create or amplify risks, potentially undermining financial markets efficiency and causing harm to consumers and other market participants.

Consequently, regulators are focusing increasingly on the use and control of AI and ML in financial markets to mitigate the potential risks and prevent consumer harm. In 2019, the IOSCO Board identified AI and ML as an important priority.

The consultation report on *The use of artificial intelligence and machine learning by market intermediaries and asset managers* proposes six measures to assist IOSCO members in creating appropriate regulatory frameworks to supervise market intermediaries and asset managers that use AI and ML. The proposed measures seek to ensure that market intermediaries and asset managers have the following features:

- Appropriate governance, controls and oversight frameworks over the development, testing, use and performance monitoring of AI and ML;
- Ensuring staff have adequate knowledge, skills and experience to implement, oversee, and challenge the outcomes of the AI and ML;
- Robust, consistent and clearly defined development and testing processes to enable firms to identify potential issues prior to full deployment of AI and ML; and

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- Appropriate transparency and disclosures to investors, regulators and other relevant stakeholders.

The proposed guidance reflects the standards of conduct expected of market intermediaries and asset managers using AI and ML. Although the guidance is not binding, IOSCO members are encouraged to consider the proposed measures carefully in the context of their legal and regulatory frameworks.

To prepare the report, IOSCO surveyed and discussed AI and ML with market intermediaries and asset managers. The report analyzes how firms use this technology, identifies the risks involved and describes how firms address them. It also includes a chapter on guidance for AI and ML published by supranational organizations, such as the International Monetary Fund and the Financial Stability Board.

IOSCO welcomes comments on this consultation report on or before 26 October 2020.

Notes to the Editor

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 and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Bahamas, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, 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 and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.

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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 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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