

# MEDIA RELEASE



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المنظمة الدولية لبيانات الأوراق المالية

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## **IOSCO recommendations aim to help develop emerging capital markets**

The IOSCO Growth and Emerging Markets Committee (GEMC) today published a report examining the challenges and opportunities that Emerging Markets jurisdictions (EMs) face when developing their capital markets as key drivers of economic growth and financial resilience and inclusion. The report makes five key recommendations that EMs should consider when seeking to strengthen their capital markets.

The report, *Development of Emerging Capital Markets: Opportunities, Challenges and Solutions*, draws on the GEMC's extensive work on different aspects of market development, from corporate governance and regulatory frameworks to corporate bond markets and market liquidity. It also highlights the main challenges faced by EMs in implementing international standards and the role of capacity building. In addition to these areas, the report explores further opportunities offered by sustainable finance and Fintech for developing EMs.

The report also analyses the preliminary impact of COVID-19 on EMs focusing on the capital outflows and the operational resilience of these markets during the pandemic. Its analysis highlights the need for capital markets to function efficiently during the current crisis to support the real economy.

IOSCO has contributed today's report to the G20 International Financial Architecture Working Group program for 2020. This program aims to develop domestic capital markets to support growth and enhance financial resilience, particularly in EMs jurisdictions.

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Deep, liquid, and well-regulated capital markets are instrumental in financing the economy and creating a thriving private sector. While EMs are heterogenous in nature, they share characteristics that may impede the development of sound capital markets. In the report, the GEMC explores some of these gaps or impediments to creating sound capital markets and how they can be addressed.

While recognising there is ‘no one size fits all’ approach to capital markets development, the report sets forth five key recommendations to assist EMs in deepening their capital markets:

- **Recommendation 1:** Policy makers and regulators should develop a holistic strategy for the development of capital markets.
- **Recommendation 2:** Regulators should seek to ensure that capital markets are fair and efficient for capital raising. Increasing institutional investor participation, providing diversified investment choices and ensuring market confidence should be high priorities on their agenda.
- **Recommendation 3:** Securities regulators should have adequate powers, proper resources and the capacity to perform their functions and exercise their powers.
- **Recommendation 4:** Jurisdictions should establish strong national and international cooperation arrangements to develop capital markets with the key involvement of the securities regulator.
- **Recommendation 5:** Regulators and market participants should develop and implement efficient roadmaps for investor education and guidance.

Dr Obaid, the GEMC Chair, said: “*There is no denying that markets face continuous challenges arising from new financial products and the growing use of financial technologies, among other things. As a result, EMs must learn to adapt quickly to new challenges that affect their*

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*capital markets. This report suggests some insightful recommendations that GEMC members are encouraged to consider when seeking to strengthen their markets.”*

Mr Paul Andrews, the IOSCO Secretary General, said: “*This report, which is an IOSCO deliverable to the G20, embodies our efforts to foster sound and resilient capital markets in EMs that can play a key role in supporting their economies. This report also aims at incentivizing EMs to take advantage of new opportunities that arise, including things such as Fintech and sustainable finance, to develop their markets.*

## 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.
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

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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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