

## MEDIA RELEASE



International Organization of Securities Commissions  
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المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/33/2020

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### **IOSCO seeks to help regulators address retail market conduct risks during stress events such as COVID-19**

The Board of the International Organization of Securities Commissions today published a [report](#) that seeks to assist regulators in responding to the retail market conduct issues caused by stress events such as the current COVID-19 pandemic. Enhancing investor protection and investor confidence in the integrity of securities markets are fundamental objectives for IOSCO.

The report examines common retail misconduct risks that have arisen in the financial services industry during the pandemic and sets out measures to assist authorities in responding to this unprecedented and challenging environment.

The report, prepared by IOSCO's Retail Market Conduct Task Force (RMCTF), shares preliminary findings and observations of IOSCO member experiences and identifies the common drivers of firm and retail investor behaviour, which together create increased opportunities for potential misconduct in periods of stress. Drawing on case studies from IOSCO members, the report also describes the measures that IOSCO members have used to mitigate these risks and derives lessons from their experiences.

The report describes how the COVID-19 crisis impacted firm and retail investor behaviour. IOSCO findings indicate that extreme price volatility during March-April 2020 and the growing pressure of COVID-19 on firms' profitability may have resulted in increased offerings of riskier products and retail investor flow into such products. The COVID-19 experience also

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highlights that retail investor vulnerability may take many forms and vulnerable investors may be more susceptible to financial exploitation during periods of market stress.

IOSCO's findings demonstrate a spectrum of retail misconduct ranging from the more egregious examples of fraudulent or predatory practices by unlicensed operators to incidents of inadvertent misconduct by regulated entities. Common types of potentially harmful behaviour that may increase during periods of stress include mis-selling; mis-labelling; and misleading disclosure and investment advice.

Based on its review of the case studies, IOSCO suggests a number of measures that regulators can take in responding to the challenges created by the COVID-19 pandemic. These measures include:

- Proactive monitoring of investor behaviour and offerings targeting vulnerable investors
- Supervisory scrutiny of certain firm behaviour which may flag potential misconduct
- Regulatory communication during periods of stress
- Monitoring of return to normal and taking effective enforcement action
- Leveraging on experience from periods of stress (such as COVID-19) to enhance regulatory requirements and approaches
- Cross-border cooperation and regulatory coordination
- Addressing risks emerging from remote working and social distancing requirements

The RMCTF will be building on its work to develop targeted guidance to regulators to deal with retail market conduct issues, drawing key lessons from this report and those from other international bodies that may have cross-sectoral implications.

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### 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 129 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 IOSCO Board established the RMCTF in February 2020 to take stock of regulatory tools and approaches regarding conduct in retail markets. In light of the COVID-19 pandemic, the IOSCO Board agreed in April 2020 for the RMCTF to focus its immediate attention on examining potential retail misconduct risks arising in the financial services industry due to the pressures and turbulence caused by the pandemic. The RMCTF is composed of Belgium FSMA, Brazil CVM, China CSRC, Germany BaFin, Hong Kong SFC, Japan FSA, Mexico CNBV, Quebec AMF, Singapore MAS, Spain CNMV, UK FCA, and the US SEC. The RMCTF is chaired by ASIC Australia and the Central Bank of Ireland.
4. 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.

### 5. 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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