

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
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المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR/22/2021

Madrid, 12 August 2021

IOSCO publishes results of examination of ETF behavior during COVID-19 induced market stresses

The Board of the International Organization of Securities Commissions (IOSCO) today published a [thematic note](#) that examines the behavior of exchange traded funds (ETFs) during the COVID-19 induced market stresses, drawing on market data and observations gathered over the course of the first half of 2020. The information sources include, among others:

- Data analysis compiled by a core research group from IOSCO's Committee on Investment Management (C5);
- Responses to a survey from C5 members; and
- Responses to an industry survey from industry participants.

The report reviews the operation and activities of the primary and secondary markets of ETFs during this period. In particular, it explores the impact of the stress on the ETF structure and functioning and the causes of the pricing differences between some fixed income ETFs' secondary market prices and their net asset values (NAVs). It also outlines some challenging circumstances for some derivatives-based ETFs.

Overall, available evidence has not indicated any significant risks or fragilities in the ETF structure, although a subset of ETFs temporarily experienced unusual trading behaviors. The analysis could prove instructive when IOSCO considers future enhancements to ETF regulation and guidance.

In accordance with its [2021-2022 Work Program](#), IOSCO is continuing its broader analysis of the ETF market in 2021. As part of this, it will consult on ETF policy proposals in late 2021/H1 2022.

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Ashley Alder, Chair of the IOSCO Board, said: *“This report is an important milestone as we continue our evaluation work following the COVID-19 induced market stresses.*

The COVID-19 volatility was a significant stress test for ETF structures and operations. Based on the findings set out in this report, no imminent risks associated with these observations have been identified from a regulatory or financial stability perspective. In fact, empirical evidence and stakeholder feedback tend to suggest that the ETF structure was relatively resilient throughout.”

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 some 130 jurisdictions, and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of IOSCO 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, Kenya, Korea, Malaysia, Mexico, Morocco, Nigeria, Ontario, Pakistan, Portugal, Quebec, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Turkey, 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 more than 70% per cent of the IOSCO membership, including 10 of the G20 members. Dr. Mohammed Omran, Executive Chairman of the Financial Regulatory Authority, Egypt is 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, amongst others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.
4. IOSCO aims through its permanent structures:

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- to cooperate in developing, implementing and promoting internationally recognized and consistent standards of regulation, oversight and enforcement 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 to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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