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International Organization of Securities Commissions
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المنظمة الدولية لهيئات الأوراق المالية

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IOSCO publishes guidance for intermediaries and asset managers using Artificial Intelligence and Machine Learning

The Board of the International Organization of Securities Commissions (IOSCO) today published [guidance](#) to help its members regulate and supervise the use of Artificial Intelligence (AI) and Machine Learning (ML) by market intermediaries and asset managers, following its [consultation report](#) published in June.

The use of AI and ML may benefit market intermediaries, asset managers and investors by increasing the efficiency of existing processes, reducing the cost of investment services and freeing up resources for other activities. However, it may also create or amplify risks, potentially undermining financial market efficiency and harming consumers and other market participants.

Moreover, market intermediaries and asset managers' use of AI and ML is growing, as their understanding of the technology evolves. The IOSCO report describes how market intermediaries and asset managers currently use AI and ML to reduce costs and increase efficiency. It notes that the rise in the use of electronic trading platforms and the increasing availability of data have led firms to progressively use AI and ML in their trading and advisory activities, and risk management and compliance functions.

Consequently, regulators are focusing 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 a priority.

The IOSCO guidance consists of six measures that seek to ensure that market intermediaries and asset managers have:

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- appropriate governance, controls and oversight frameworks over the development, testing, use and performance monitoring of AI and ML;
- staff with 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
- appropriate transparency and disclosures to their investors, regulators and other relevant stakeholders.

In addition to the guidance, the report includes two annexes that describe how regulators are addressing the challenges created by AI and ML and the guidance issued by supranational bodies in this area.

IOSCO members are encouraged to consider these measures carefully in the context of their legal and regulatory framework.

The use of AI and ML will likely increase as the technology advances, with the regulatory framework evolving in tandem to address the associated emerging risks. Going forward, IOSCO may review the report, including its definitions and guidance, to ensure it remains up to date.

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

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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 focussed, 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:
 - 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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