

MEDIA RELEASE



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

IOSCO/MR26/2022

Madrid, 12 October 2022

IOSCO issues regulatory measures to address increasing risks and challenges from digitalisation of retail marketing and distribution

The Board of the International Organization of Securities Commissions (IOSCO) today published measures that members should consider when determining their policy and enforcement approaches to retail online offerings and marketing.

The measures outlined in the Final [*Report on Retail Distribution and Digitalisation*](#) aim to assist IOSCO members in adapting their regulatory and enforcement approaches, consistent with their legal and regulatory frameworks, to meet the growing challenges posed by rapidly evolving digitalisation and online activities.

The Report presents a toolkit of policy measures to help members address risks that may arise and a toolkit of enforcement measures that leverage a range of powers and technology-based investigatory techniques and enhanced collaboration with other authorities and providers of electronic intermediary services.

The policy toolkit measures relate to:

- Firm level rules for online marketing and distribution;
- Firm level rules for online onboarding;
- Responsibility for online marketing;
- Capacity for surveillance and supervision of online marketing and distribution;
- Staff qualification and/or licensing requirements for online marketing;
- Ensuring compliance with third country regulations; and
- Clarity about legal entities using internet domains.

The enforcement toolkit measures relate to:

- Proactive technology-based detection and investigatory techniques;
- Powers to promptly take action where websites are used to conduct illegal securities and derivatives activity and other powers effective in curbing online misconduct;
- Increasing efficient international cooperation and liaising with criminal authorities and other local and foreign partners;
- Promoting enhanced understanding and efforts by, and collaboration with, providers of electronic intermediary services regarding digital illegal activities; and
- Additional efforts to address regulatory and supervisory arbitrage.

Digitalisation and social media are changing the way financial services and products are marketed and distributed to retail investors, providing greater opportunities for firms to reach a broader investor base and for retail investors to access a wider range of products. Digitalisation and social media also present risks associated with the use of behavioural and gamification techniques and financial influencers (finfluencers) that impact retail investor trading behaviour.

Developments in digital offerings, including use of new complex products such as crypto-assets, also give rise to novel regulatory and investor protection challenges, spanning the whole distribution chain. As digitalisation trends evolve faster than regulatory frameworks, there is a risk that retail investors could be exposed to harmful or even fraudulent online activity.

The Report analyses global developments in online marketing and distribution of financial products to retail investors and discusses enforcement challenges encountered by regulators. It sets out examples of how some member jurisdictions have addressed these issues.

The Report is part of IOSCO's efforts to build trust and confidence in markets facing new and emerging opportunities and risks. The overarching objective is to enhance the protection of retail investors, the main recipients of online offerings and marketing techniques.

The rapidly evolving environment demonstrates the need for an increased regulatory focus on digital marketing and offerings and for efficient collaboration, on both a domestic and cross-border level, to promote a high level of investor protection at a global scale.

Responding to the IOSCO Report, Martin Moloney, the IOSCO Secretary General, said: *“A digital revolution is sweeping the world of finance. Financial product offerings and customer on-boarding practices are no exception to this change. This revolution allows firms to refine the techniques they use in their digital marketing. While that innovation promises to provide investors with well targeted*

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information, it also creates new risks to investors via systemic targeting and unsolicited offerings, sometimes underpinned by gamification and ‘finfluencer’ activity that is not always helpful to investors. Digital fraudsters can hide behind a “digital veil” that makes it difficult for regulators to locate, identify and take action against them. We are publishing this policy and enforcement guidance, built up from the experience of our members, to respond to the complex conduct challenges in today’s digital world, and to achieve better financial consumer outcomes.”

NOTES TO THE EDITORS

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 organisation'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 75% per cent of the IOSCO membership, including 10 of the G20 members. Dr Mohamed Farid Saleh, 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:

- 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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