MEDIA RELEASE

International Organization of Securities Commissions
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IOSCO Encourages Regulators, Responsible Entities and Trading Venues to Review and Adopt Good Practices for ETFs

The Board of the International Organization of Securities Commissions (IOSCO) today published *Good Practices Relating to the Implementation of the IOSCO Principles for Exchange Traded Funds* covering effective product structuring, disclosure, liquidity provision, and volatility control mechanisms.

Following an extensive review of ETF markets, IOSCO has determined that the existing IOSCO *Principles for the Regulation of Exchange Traded Funds* (ETF Principles) remain relevant and appropriate. Since the publication of the ETF Principles in 2013, ETF markets globally have continued to evolve and exhibit sustained growth in assets under management. ETF industry developments include new products with exposures to less liquid and more novel asset classes and more complex investment strategies. The IOSCO Board has therefore concluded that ETF Principles would benefit from being supported, and further operationalised, by a set of Good Practices.

Jean-Paul Servais, Chair of the IOSCO Board, said: *"With the publication of these Good Practices, IOSCO ensures that its policy framework for ETFs remains up-to-date, particularly in light of significant market developments since the publication of IOSCO's ETF Principles. This report provides a rich discussion of major themes and recent developments in ETF markets as a backdrop to a set of Good Practices centred on the trading of ETF shares in the secondary market and the associated arbitrage mechanism."*

Martin Moloney, IOSCO Secretary General, said: *"Recognizing differences and variances among jurisdictions in the way that ETFs operate, are regulated, and the markets in which they trade, IOSCO is providing a set of Good Practices, as examples of how a jurisdiction could implement the ETF*

Principles and other relevant IOSCO standards and guidance. IOSCO encourages regulators, responsible entities and trading venues to review and adopt these Good Practices, where appropriate, within each jurisdiction's regulatory framework."

In developing these Good Practices, IOSCO undertook a comprehensive review of the ETF market, surveying regulators and industry participants, conducting extensive stakeholder outreach, reviewing recent academic literature, considering major market events affecting ETFs including the COVID-19-related market volatility in March and April 2020, and engaging with the Financial Stability Board. In particular, IOSCO published a *Thematic Note - Findings and Observations during COVID-19 Induced Market Stresses*, summarizing its findings regarding the operation and activities of the primary and secondary ETF markets during COVID-19.

The ETF structure has generally remained resilient during historical stress events. No major gaps have been identified, and no major regulatory issues were reported by IOSCO members or industry participants. As of the date of this report, IOSCO has identified no structural issues related to ETFs that bear on financial stability.

The Good Practices highlight issues for regulators, responsible entities and/or trading venues to consider when putting into practice the ETF Principles and other relevant IOSCO standards and guidance.

The 11 Good Practices set out in this report can be broadly categorised under four themes that encompass the full life cycle of ETF products: [1] product structuring (including range of assets, strategies for ETF offerings, effective arbitrage mechanisms), [2] disclosure requirements (including on fees and on clear differentiation of ETFs from other Exchange Traded Products and Collective Investment Schemes), [3] liquidity provisions (including market monitoring and ensuring orderly trading), and [4] volatility control mechanisms (including communication between trading venues).

NOTES TO THE EDITORS

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 35 securities regulators. Mr. Jean-Paul Servais, the Chair of Belgium's Financial Services and Markets

Authority (FSMA) is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Australia, Bahamas, Bangladesh, Belgium, Brazil, China, Egypt, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Korea, Kuwait, Malaysia, Mauritius, Mexico, Morocco, the Netherlands, Oman, Ontario, Peru, Quebec, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Türkiye, 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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