Disclaimer

The views and opinions presented in this presentation are those of the presenter only and do not necessarily reflect the views and opinions of IOSCO or its individual members.
Inputs:

• Data and trend analysis

• Market intelligence (interviews),

• Surveys to the market, academics and international organizations

• Roundtables to discuss risks with members of industry.
Some potential risk topics

Risk topics and developments:

• Asset bubbles in the low interest rate environment.
• Asset bubbles and concentration risk in Emerging markets.
• Collateral squeeze and collateral management.
• Risks around the derivatives market and Central Counterparties (CCPs).
• Small Medium enterprises (SMEs) and Infrastructure funding gaps.
• Cyber-crime.
Asset bubbles, low interest rate environment

Issues:

• The search for yield in the low interest rate environment.
• Investors driven towards riskier assets e.g. junk bonds.
• Yield no longer represents risk.
• Pension funds using credit hedge funds to purchase riskier assets – exposing themselves to leverage.

Questions:

– Is there a bubble and where?
– Are investors aware of the risks?
– When the interest rate situation reverses?
– Systemic?
Asset bubbles and concentration risk in Emerging Markets

Issues:

- Increased cross-border flows.
- Concentration risk in local markets.
- Market volatility.
- Funds into the mortgage market – real estate bubble?

Questions:

- Lack of data, what is the nature of these risks?
Collateral squeeze, collateral management

Issues:

• Regulatory requirements increase necessity for high quality collateral.
• Increased need but smaller pool – collateral squeeze.
• Use of repurchasing transactions, securities lending, rehypothecation and collateral transformation.
• Transparency, complexity, interconnectedness, leverage issues

Questions:

– What is the size of these practices?
– Shifting/hiding risk build-up? Systemic?
Derivatives Market and Central Counterparties (CCPs)

Issues:

• CCPs following similar risk management model – amplification?
• Smaller players compete through accepting lower quality collateral?
Small Medium Enterprises (SMEs) and Infrastructure funding gap

Issues:

• SMEs, also in emerging markets, struggling to gain access to financing.
• Banks retreat from long-term financing – infrastructure funding gap?

Questions:

• Meeting these funding needs?
• Role of securities markets in this space?
• Implications?
Cyber-crime

Issues:

• Financial system relies on technological infrastructure.
• Nature of cyber-crime is changing – more sophisticated.
• Methods, motives, purposes and consequences not clear.

Questions:

• Systemic impact?
• How vulnerable are financial market infrastructures?
Thank you for your time.

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