



Annual Report 2022

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS



IOSCO OBJECTIVES

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets and to mitigate 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 the 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.

IOSCO MEMBERSHIP



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Report from the Chair of the IOSCO Board

Mr. Jean-Paul Servais

- > Chair of the IOSCO Board
- > Chair of the Financial Services and Markets Authority (FSMA) of Belgium

In October 2022, I was elected Chair of the IOSCO Board. It is a privilege to lead this global organization that takes a leading role in addressing many of the most pressing challenges facing the financial sector. Since my appointment as Chair of the Board, I have truly enjoyed working with my fellow IOSCO members, the Board, the IOSCO Management Team, the General Secretariat and with other global standard setters. I am immensely proud of IOSCO's recent achievements and progress on the Board's priorities on digital finance, sustainable finance and financial stability.

The period from 2020 to 2022 was a particularly challenging period for financial systems amidst a turbulent macro-financial environment. The aftermath of the Covid-19 global health crisis led to supply chain pressures, geopolitical tensions, soaring inflation and rising interest rates that posed enormous challenges to investors, supervisors, regulators and financial markets alike. Besides the macro-financial-induced uncertainty in financial systems, climate change risks and the digitization of financial services rose to the top of the agenda and have warranted IOSCO members' attention. Thanks to an effective risk assessment and prioritization mechanism, IOSCO was well positioned to tackle new developments as they took shape.

Effective international regulatory cooperation, coordination and information sharing enabled IOSCO members to work together in these turbulent times to protect investors, ensure market integrity and mitigate risks to financial stability - IOSCO's three core objectives. Without a doubt, IOSCO policy guidance tends to be more effective than the sum of uncoordinated national policy initiatives. This further confirms my vision that global challenges are, as far as possible, best addressed at global level.

I commend my predecessor Ashley Alder, former Chief Executive Officer of the Hong Kong Securities and Futures Commission and currently Chair of the UK Financial Conduct Authority, for steering IOSCO through the recent turbulence during his tenure as Board Chair. Under Ashley's guidance, IOSCO made important headway on major workstreams, both new and ongoing, despite the trying circumstances.

As Chair of the IOSCO European Regional Committee, I served as Vice Chair of the Board for six years. In that period, I witnessed IOSCO gain in worldwide prominence. We are at a crossroads and, more than ever, IOSCO's work is crucial to the smooth functioning of global capital markets and the global fight against climate change. I can honestly say that IOSCO stands out through its diverse and inclusive membership, one that hails from both developed and emerging markets, while engaging actively with external stakeholders. This enables IOSCO to offer its diverse members a platform to convene, discuss market developments, share knowledge, collaborate and agree on common positions.



Though there has been much talk of market fragmentation, associated with geopolitical tensions, evidence suggests that markets have become increasingly interconnected, in large part by new modes of communication and financial technologies.

Consequently, IOSCO benefits from the coordinated response of its global membership to investor concerns regarding market misconduct, climate change risks, NBFI vulnerabilities and other market developments. Cross-border regulatory, supervisory and enforcement cooperation among IOSCO members – notably underpinned by the IOSCO Multilateral Memorandum of Understanding (MMoU) -- has become more important than ever in addressing these risks.

In 2022, IOSCO celebrated the 20th anniversary of the MMoU, a mechanism that enables its 129 signatories from both emerging and developed markets to cooperate rapidly and effectively for enforcement purposes. Since 2002 the MMoU has cumulatively supported 51,458 exchanges of information, from an initial low point of 56 annual interactions in 2003 to 5,567 in 2022. Securities regulators share essential investigative materials through the MMoU and its enhanced version, the EMMoU, including beneficial ownership information and securities and derivatives transaction records, such as bank and brokerage records. The MMoU is also a valuable vehicle for crypto-related requests for cooperation.

The MMoU and the EMMoU are undoubtedly gold standards for international cooperation, but we must continue to improve. In this regard, IOSCO is watching with great interest the development of a supervisory MMoU by its members in the Asia-Pacific region.

Though IOSCO's work in general is crucial to the smooth functioning of world financial markets, I will limit my comments to a few workstreams where we took a leading role in addressing major issues as they arose: (i) Financial Stability and Non-Bank Financial Intermediation; (ii) Financial Technologies; and (iii) Sustainable Finance. Across these priorities, important groundwork was laid in 2022 to ensure smooth and impactful delivery on our priorities during the 2023-2024 term. We also organized, and continue to do so, a wide range of capacity-building activities to ensure IOSCO members are best prepared to meet the challenges ahead, such as climate change and new financial technologies.

These transitions require a 'whole of society approach', in which global organizations such as IOSCO play a key

role in establishing global standards that account for jurisdictional or regional specificities. It has therefore become imperative for IOSCO to build bridges with other relevant global bodies to deliver globally coordinated responses to global issues of relevance in the best interest of our member jurisdictions.

Financial stability and Non-bank Financial Intermediation

The work on financial stability gained a new sense of urgency during the market turbulence in March-April 2020 caused by the pandemic, when NBFI came to the forefront of regulatory concerns. The resulting market stresses highlighted the interconnectedness of financial markets and underscored the growing need for global regulatory cooperation to respond to the cross-border challenges of financial stability and fragmentation, with a view to enhancing its resilience to future dash-for-cash, flight-to-safety and similar phenomena in times of stress.

In response, IOSCO created the IOSCO Financial Stability Engagement Group (FSEG) in early 2020 to deepen and formalize the engagement of IOSCO on financial stability issues with other global standard setters like the Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI), the Basel Committee on Banking Supervision (BCBS) and others.

A key objective of the joint IOSCO-FSB work on NBFI has been to increase the resilience of the non-bank credit and investment markets, both of which have grown in recent years as a result of cheap money and strong investor demand for yield. The aim of these efforts was also to provide standards for consistent global regulation in this area.

The FSEG continues to work closely with the FSB to shape the international regulatory response to structural vulnerabilities associated with interconnectedness, liquidity mismatches and leverage that emerged within the growing NBFI sector. The FSEG was instrumental in incorporating the perspective of securities market regulators into the regulatory and standard-setting work. The views of security market regulators were particularly important regarding vulnerabilities in money market funds and bond markets, collateralized loan obligations, open-ended funds (OEFs) and margining practices, as they complemented the FSB's macro-level analysis of financial stability issues. In 2022, the FSB began work on assessing the effectiveness of its 2017

policy recommendations to mitigate vulnerabilities in OEFs arising from liquidity mismatch. This work was conducted in conjunction with IOSCO's review of its 2018 recommendations on liquidity management for OEFs. We are on schedule to finalize this work before the end of 2023.

In 2022, IOSCO published a discussion paper on corporate bond markets and a consultation report on good practices for IOSCO members, asset managers and trading venues to consider during the operation and trading of Exchange Traded Funds (ETFs). The COVID-19-related market stress in 2020 highlighted the potential systemic impact of disorderly corporate bond trading and liquidity dysfunction. In response, IOSCO, CPMI and BCBS conducted a data-driven analysis of margin calls in March-April 2020 and on the extent to which market participants were prepared to meet them. The report fed into the FSB's work to enhance the resilience of the NBFI sector and highlighted the need for further policy work in this area.

Further key outputs of the NBFI work program are scheduled to conclude during the 2023-2024 term and will require ongoing involvement by IOSCO and FSEG members.

Crypto and Digital Assets and Financial Technology

The year 2022 was marked by significant market developments in the crypto-asset markets, including the so-called crypto winter, and the collapse of notable and highly integrated crypto platforms. These events underscored the importance of introducing international standards and guardrails for crypto-asset markets.

It is laudable that months before the major collapses in the sector, our community of securities regulators had already reached a consensus on the need for a globally coordinated response to what had by then become a global phenomenon – with clearly observed market functioning issues and an ever-growing cross-border retail footprint of investor harm. To this end, the IOSCO Board established a board-level Fintech Task Force in March 2022, recognizing that regulators have an important role to play in ensuring that technological innovation works to the benefit of society and consumers. Indeed, regulators are working towards this goal by identifying and mitigating risks in this area for investors and the global financial system as a whole. IOSCO examined the extent to which existing principles

and guidance apply to virtual assets and providers, particularly rules referring to conflicts of interest, market manipulation, operational risks and investor suitability. Here, IOSCO's policy approach is based on the principle of 'same activity, same risk, same regulatory outcome'.

IOSCO is uniquely positioned to deliver a global framework by leveraging the breadth and depth of its membership of 130 members from around the world, representing 95% of the world financial markets with 90 of these jurisdictions drawn from growth and emerging markets.

I see our large membership as an asset when it comes to delivering a global approach to crypto, both in terms of creating consensus around a coordinated approach and in terms of implementation and verification of implementation. And we have tools at our disposal such as the Multilateral Memorandum of Understanding, which enables the smooth exchange of information between IOSCO members.

IOSCO's Crypto-Asset Roadmap for 2022-2023, published in July 2022, sets out the key deliverables of the Fintech Task Force and IOSCO's commitment to finalize reports on *Crypto and Digital Assets* and *Decentralized Finance* by the end of 2023. Significant progress has been achieved on both counts to deliver according to plan.

Sustainable Finance

Another key priority that we made significant progress on, and that I am passionate about, is the work on the sustainable finance agenda. This workstream is deeply interconnected with my previous international responsibilities as Chair of the IFRS Monitoring Board and as co-Chair of the Monitoring Group.

The objectives of the IOSCO Sustainable Finance Task Force (STF), created in 2021, are to mitigate greenwashing by ensuring investors receive reliable information on sustainability-related issues.

IOSCO played an instrumental role in the launch of the IFRS Foundation's International Sustainability Standards Board (ISSB) in 2021. A year later, the ISSB developed exposure drafts of its proposed climate and general sustainability disclosure requirements to meet the needs of investors and financial markets and transform the currently fragmented sustainability reporting landscape.



Sustainability disclosures can make a significant difference in addressing climate change risks, and IOSCO and securities regulators can play an important role in supporting the transition to a low-carbon economy. Consistent and comparable disclosures are a key element of this transition.

I am pleased by our close working relationship with the ISSB. I particularly welcome the willingness the ISSB has shown to accommodate the different velocities at which corporations are likely to implement the final standards: while we may travel in the same direction, we may not all travel at the same speed, and the ISSB is fully aware of this circumstance, which bodes well for our collaboration going forward.

In November 2022, IOSCO published a consultation paper setting forth its recommendations for establishing sound and well-functioning compliance carbon markets and a discussion paper seeking industry views on the role of financial regulators in voluntary carbon markets. It also supports plans by the relevant standard setters to develop assurance standards as a key element of building trust in sustainability reporting.

In 2023, IOSCO's focus has turned to its assessment of the final versions of the ISSB standards on General Requirements for Disclosures of Sustainability-related Financial Information (IFRS S1) and Climate-Related Disclosures (IFRS S2). As was the case 20 years ago with financial reporting standards, an endorsement by IOSCO is a game-changer for jurisdictions worldwide when considering the adoption or use of the ISSB standards.

Capacity Building and Investor Education

Increasingly, capacity building has become an important tool for IOSCO to meet the needs of its members, particularly those from emerging market jurisdictions. By strengthening the regulatory and supervisory proficiency of its members, IOSCO helps ensure their ability to implement globally agreed standards and maintain robust securities markets that serve as drivers of sustained economic growth. (See the final chapter in the annual report on capacity building). Once again, in 2022, IOSCO held its joint Program on International Financial Systems in conjunction with Harvard Law School, which attracts an increasing number of participants.

In addition, IOSCO offers its members a wide array of training programs to keep them abreast of key developments in the global capital markets.

In October 2022, IOSCO, with the support of other organizations, carried out the sixth edition of World Investor Week to raise awareness about financial education. The main themes of the 2022 campaign were investor resilience and sustainable finance. In October 2023, crypto assets are an additional main theme of the 7th edition of the WIW

Moving forward

2023 will be a year for IOSCO to deliver on its priorities to address emerging risks arising from sustainable and digital finance: most notably the review of the first set of standards developed by the IFRS International Sustainability Standards Board (ISSB) leading to their endorsement by IOSCO as a global framework for sustainability related corporate disclosures. Our policy-focused work on crypto-asset markets and activities and address vulnerabilities in NBFI, in collaboration with the FSB, to strengthen financial market resilience, are expected for the end of 2023.

As ever, IOSCO will continue to facilitate the work of its four Regional Committees, its Growth and Emerging Markets Committee and its Affiliate Members Consultative Committee to bring unique value to its global membership. Few international organizations enjoy the same inclusivity and geographical reach, which give IOSCO an important advantage in identifying and mitigating risks to consumers, investors and global capital markets.

As I take on my new responsibilities as IOSCO Board Chair for the next two years, I wish to express my sympathy and gratitude to Secretary General Martin Moloney, Deputy Secretary General Tajinder Singh and the entire team at the General Secretariat team for their enduring support in a challenging environment and for their expertise. I also want to extend special thanks to Vice-Chairs Mohamed Farid Saleh (Egypt FRA), Rostin Behnam (US CFTC), and Shigeru Ariizumi (Japan FSA) for embarking on this journey with me as a team. I commend the leadership of the various board level task forces (Sustainable Finance, Fintech, and Retail Market Conduct Task forces), of all the Regional Committees (AMERC, APRC, IARC and ERC), and of all other committees without whom IOSCO's impressive achievements would not be possible.



Report from the Chair of the Growth and Emerging Markets (GEM) Committee

Dr Mohamed Farid Saleh

- > Vice Chair of the IOSCO Board
- > Chair of the Growth and Emerging Markets Committee
- > Executive Chairman of the Financial Regulatory Authority, Egypt

It is with great pleasure that I present to you the important activity conducted by the GEMC in 2022. The emerging market jurisdictions showed operational resilience while navigating through uncertainties linked to the COVID-19 pandemic and changing global financial conditions. GEMC members are prioritizing technology and ESG initiatives in their development plans to embrace innovation and increase efficiency. However, GEMC members continue to face varying challenges, which IOSCO work will help to address.

The Use of Innovation Facilitators in Growth and Emerging Markets

In July 2022, the GEMC published the final report on the *Use of Innovation Facilitators in Growth and Emerging Markets*. The adoption of various initiatives to facilitate financial innovation has been witnessed in recent years. The report covers three types of innovation facilitators, namely innovation hubs, regulatory sandboxes and regulatory accelerators. In recent years, financial regulators have undertaken various initiatives to facilitate financial innovation. The emergence of Financial Technologies (Fintech) has the potential to improve outcomes for investors and consumers of financial services by, among other things, expanding choice and lowering prices, fees and commissions, reducing transaction costs, improving transparency in products and markets, and increasing financial inclusion. However, Fintech also creates new challenges for financial regulators. The Report was prepared during the COVID-19 pandemic, which reinforced the use of technology around the globe, notably due to social distancing restrictions.

The Report concludes that a regulatory response to financial innovation requires a balanced approach

between the potential opportunities of innovation and the risks to investors, the integrity of markets and the stability of the financial system. It sets forth four recommendations and a decision tree to assist members in establishing innovation facilitators. The recommendations focus on an effective framework to support financial innovation, clear definition and transparency of the objectives and functions of innovation facilitators, clear and transparent scope of eligible entities and criteria for application, and the need for mechanisms for cooperation and exchange of information with both local and relevant foreign authorities. The report also presents a decision tree to assist regulators in assessing the possibility of setting up an innovation facilitator.

Sustainable Finance

Under the umbrella of the 27th United Nations Climate Change conference (COP27) held in Sharm El Sheikh, Egypt, from 6 to 20 November 2022, I had the privilege to participate on several panels and debates about climate risks and the impact on emerging markets.

For example, one session I participated in covered different aspects of Sustainable Finance, such as



greenwashing, corporate sustainability disclosures and carbon markets. In particular, the session highlighted that greenwashing is a fundamental concern that may take different forms and could have dire consequences, not only for developed jurisdictions but also for emerging market jurisdictions who will be even more reliant on private finance to assist them in funding their transition towards net zero.

Sustainable finance is a key topic for GEMC member jurisdictions, and therefore I expect that our committee will continue discussing and analyzing this topic committee in 2023, not only to understand the implications for our members but also to see how we can assist them, for instance, through capacity building. We will also set up a GEMC Working Group on Sustainable Finance to help coordinate projects in this important area in 2023.

GEMC Meetings

In 2022, the GEMC held two meetings. The first was conducted virtually on 4 July 2022. Members discussed topical issues such as the work of the Sustainability Task Force and its various workstreams and the development of robust derivatives markets in emerging markets jurisdictions. Members discussed

how to ensure derivatives markets remained safe and efficient. In this context, members benefitted from a presentation from the International Swaps and Derivatives Association on its *Policy Framework for Safe and Efficient Derivatives Activity in Emerging and Developing Markets* published in May 2022.

This meeting reinforced cooperation and dialogue among the GEMC members who worked on areas of common interest during 2022 and discussed Fintech and sustainable finance matters.

The second GEMC meeting was held in October 2022 in a physical format, during the IOSCO 47th Annual Meeting in Marrakech. This was the first in-person meeting after the global health crisis that started in 2020. It brought together 167 members from 59 jurisdictions. The GEMC discussed the implementation of IOSCO Principles, enforcement matters, sustainable finance, market development needs and future activities of the committee. This in-person meeting allowed members to enhance their networking and discuss issues of common interest.

In line with the discussions at the GEMC Meetings, the general consensus was that the areas of sustainable

finance and market development were critical to members. To facilitate work in these two areas, two GEMC Working Groups will be set up in 2023 on sustainable finance and market development to lead the work in these areas.

Conclusion

Having been at the helm of the GEMC as Chair since September 2022, I am committed to continue advancing the work and discussing issues of common interest to GEMC members, as well as continuing to enhance cooperation among GEMC members.

We are in an era where we can no longer operate in silos. The GEMC provides a platform that promotes cooperation and information sharing among members. I am confident that GEMC members, together and with the help of the Secretariat, will continue to add value to this committee's work and achieve fruitful deliverables for the benefit of all members and IOSCO in general.

I would like to express my appreciation to the GEMC members for their collaboration and hard work in meeting the GEMC objectives. I am particularly grateful to the IOSCO General Secretariat's GEM Team for their dedication and diligence, which proved invaluable to the work of our committee. I look forward to working with you on the GEMC's upcoming projects with full commitment and dedication in line with IOSCO's objectives.







Report from the Chair of the Affiliate Members Consultative Committee (AMCC)

Ms Karen Wuerz

- > Chair of the Affiliate Members Consultative Committee
- > Senior Vice President, External Affairs and Communications, National Futures Association

The AMCC plays an important consultative role within the IOSCO framework. The breadth, depth and diversity of the AMCC's over 70 affiliate members provide a wide lens to all areas impacting the financial markets. Over the last year, the AMCC has been proud to welcome over a dozen new members, expanding the committee's expertise. AMCC Members represent self-regulatory organizations (SROs), exchanges, market infrastructures, investor protection and compensation funds, associations of regulated entities as well as other bodies with interest in securities and derivatives regulation.

This committee's objectives are aligned with IOSCO's objectives to enhance investor protection, maintain fair, efficient and transparent markets, and address systemic risk. The valuable front-line regulatory expertise and market insights offered by AMCC members are critical elements to the important standard-setting work conducted by IOSCO.

Over the last year, AMCC members provided expertise and experience to new and existing challenges through participation in a wide range of IOSCO initiatives addressing Fintech, retail participation, investor education and sustainable finance. This important work strives to ensure markets remain resilient and vibrant while demanding high integrity standards from all market participants.

Significant Contributions

Risk Outlook: The Committee on Emerging Risks prepares and publishes a comprehensive Risk Outlook based on detailed input from all of IOSCO's Committees. The Risk Outlook is the foundation of IOSCO's priority setting process. AMCC members offered five issue notes to the Committee on Emerging Risks addressing settlement finality, margin procyclicality, post-pandemic operations, increased retail participation,

and new market entrants and products. Thanks to a diverse membership, the AMCC can offer a wide perspective on potential risks for IOSCO to consider and contribute to IOSCO's strategic direction and deliverables.

Market Fragmentation: The AMCC's Market Fragmentation Working Group, at the request of the IOSCO Board, prepared its second annual report indicating where AMCC members have identified cases of harmful fragmentation with a cross-border element. The 2022 report addressed cross-border data sharing, trade reporting, Sustainable Finance, operational resilience related to third-party service providers and technology. The AMCC greatly appreciates the continued focus of the IOSCO Board, and various policy committees, on important market fragmentation issues.

Retail Participation: AMCC members met with the Retail Market Conduct Task Force to offer important insight into the Task Force's work. Members covered a variety of topics such as retail investor trends and data, impacts of social media, and the differences between self-directed investing and working with a firm. AMCC members also shared their experience and analysis of the current trends among investors in their markets. This input provided critical insights into the RMCTF's final report.





Sustainable Finance: The AMCC STF was established to provide an interface between IOSCO members and the industry in support of the multifaceted work conducted by the IOSCO Sustainable Finance Task Force (STF). To gather important information on ongoing sustainability initiatives, the AMCC STF organized a searchable database that serves as an important response to the IOSCO STF. Additionally, AMCC members continue to work alongside the IOSCO STF to bring important information to the industry.

Bond Market Liquidity: The AMCC established a Bond Market Liquidity Working Party with the objective of complementing the work being undertaken by the Financial Stability Engagement Group (FSEG), leveraging the AMCC's broad membership and diversity of relevant stakeholders. Most recently, the AMCC (BMLWP)

conducted a survey of market stakeholders on corporate bond market microstructure and participant behavior that drew input from relevant market participants. A report summarizing the aggregated survey data and observations and conclusions drawn from that survey was submitted to the IOSCO-FSEG Corporate Bond Market Liquidity Workstream and AMCC members.

Looking Ahead

The importance of in-person meetings cannot be underestimated. Our Annual Meetings in Marrakech and Bangkok were examples of the numerous networking opportunities and bilateral meeting options available, as well as of the value of the collaborative work between the AMCC and the rest of IOSCO. The balance between virtual and physical meetings in the future will be crucial. Much like the IOSCO Board and



policy committees, the AMCC will utilize both meeting formats, so members have a variety of engagement opportunities.

The virtual landscape has served the AMCC's capacity building efforts well. With the Learning Series, AMCC members have provided their expertise on crucial regulatory topics to wide audiences on many occasions. However, the opportunity to offer regulatory insights in-person also provides immeasurable value. In 2023, the AMCC will continue its successful Learning Series and hopes to welcome back an in-person AMCC Regulatory Staff Training Seminar. Engaging our IOSCO colleagues through capacity building is a cornerstone of the AMCC. Engagement is critical for IOSCO and the AMCC. The breadth, depth and diversity of the AMCC's membership can provide immeasurable support to IOSCO's

initiatives. I am proud to say this engagement expanded into the Fintech arena with the recent establishment of the AMCC Fintech Working Group. The Working Group is comprised of over 15 AMCC members representing SROs, exchanges and other industry groups. This group will serve as an important resource to IOSCO's Fintech Task Force and joins a strong list of AMCC working groups contributing to a variety of other IOSCO topics.

Thank you

As we close the books on another year, I want to express my sincere gratitude to all AMCC members for their dedication to the many important IOSCO initiatives. I also want to thank the General Secretariat staff, the AMCC Vice-Chair and all those who support the AMCC work for their expertise, support and coordination.



Report from the IOSCO Secretary General

Mr. Martin Moloney
> IOSCO Secretary General

I am pleased to present the highlights of IOSCO policy work in 2022, my first full year as Secretary General of IOSCO.

And what a year it was, as a confluence of factors complicated the economic scenario and posed new financial and economic risks: the impact on markets of war, the lingering effect of the pandemic; the energy crisis and climate change. We saw a major shift in monetary policy that altered patterns of economic growth, as well as episodes of increased leverage and debt levels. Because of their vulnerabilities and interconnectedness with traditional finance, fast evolving crypto markets tested regulators' ability to protect investors, ensure market integrity and maintain financial stability.



But IOSCO succeeded in meeting the hugely ambitious targets it set for itself in this difficult year. During its meeting in March 2022, the IOSCO Board agreed to establish a Board-level Fintech Task Force (FTF) to examine the issues arising from crypto assets and Decentralized Finance (DeFi). In July, IOSCO published its Crypto-Asset Roadmap for 2022-2023, which sets out an ambitious path of work for FTF members in this area.

The agreement the Board reached on a crypto work program at the March Board meeting was a defining moment for IOSCO. We are seeking to promote fairness and resilience in this market, while ensuring that crypto-assets are subject to regulation commensurate with the risks they present.

We believe the need for investor education and financial literacy has never been greater than today. As the marketplace continues to evolve and innovate, investment products and financial services are becoming increasingly complex. Retail investors require a better understanding of key financial concepts, to understand and evaluate the choices available to them and to avoid falling victim to financial fraud and scams. In October, IOSCO staged its World Investor Week, for the sixth year running. Securities regulators, stock exchanges, the financial industry and professional associations,

universities and organizations representing civil society, conducted a wide range of activities to deliver key messages and promote financial literacy for themes related to sustainable finance, crypto assets, investor resilience, and fraud and scams prevention. The key messages of this event were broadcast through our expanded social media program.

Fostering financial literacy is aimed at helping investors understand and trust financial markets, enabling them to benefit from the financial products and services the markets offer and to enhance their financial well-being and resilience.

In 2022, IOSCO continued its work on sustainable finance, reconfirming its support for the IFRS's International Sustainability Standards Board (ISSB) work on the first sustainability related corporate disclosure standards and preparing carbon markets to facilitate the transition to net zero.

IOSCO understands that the ISSB climate disclosure standard provides an important beacon guiding the market to more consistent global ESG disclosure and reporting. Our work on this is part of a pattern of support by IOSCO of effective disclosures going back decades. In many ways the organization is playing the





same role it played 20 years ago with the launch of the IFRS accounting standards. Currently, the IFRS standards are required in more than 140 jurisdictions and permitted in others.

Meanwhile, we have also been concerned by greenwashing in today's market. IOSCO in November 2022 called on voluntary standard setting bodies and financial industry associations to promote specific good practices among their members to counter the risk of greenwashing, and we guided them on what to focus on.

Also in November 2022, the Sustainable Task Force launched a 90-day consultation on recommendations for establishing sound Compliance Carbon Markets and on key considerations for enhancing the resilience, integrity and liquidity of Voluntary Carbon Markets. The consultation sought to create appropriate frameworks for sound and well-functioning carbon markets and to facilitate price discovery through greater transparency. In 2022, the IOSCO Financial Stability Engagement Group (FSEG) continued its work with the Financial Stability Board (FSB) to enhance the resilience of non-bank financial intermediation. The FSEG assessed Liquidity Risk and its Management in Open-End Funds (OEFs) and reviewed the effectiveness of the FSB's 2017 policy recommendations for mitigating vulnerabilities in OEFs resulting from liquidity

mismatch. This work was conducted in conjunction with IOSCO's review of its 2018 recommendations on liquidity risk management in OEFs.

IOSCO also examined margining practices and market participants' behavior during the March-April 2020 turmoil and vulnerabilities in the bond market structure that surfaced during the turbulence. It analyzed market liquidity issues affecting corporate bond markets under stress and consulted on good practices concerning ETFs, which are designed to supplement IOSCO's 2013 Principles for the Regulation of ETFs.

Finally, in 2022, IOSCO celebrated the 20-year anniversary of its Multilateral Memorandum of Understanding, the increasingly important mechanism that helps securities regulators to implement effective global regulation and strengthen enforcement cooperation among securities commissions around the globe. In 2022, just under 130 commissions were signatories to the MMoU, highlighting its role as the gold standard for cross-border regulation by IOSCO members. With thousands of cross-border requests for information made through this mechanism every year, the MMoU is recognized by IOSCO and others as the leading instrument for regulatory enforcement cooperation and information sharing in the world.



The MMoU sets out the specific requirements for how and what information can be exchanged between member commissions and their legal capacity to compel and share information, among other things. Created in 2002, the MMoU has provided securities regulators with the tools for combating cross-border fraud and misconduct, thereby helping strengthen capital markets and increase investor confidence.

To build on this success, IOSCO launched an enhanced version of the MMoU in March 2017. The EMMoU offers securities regulators new enforcement powers for responding to the challenges arising from recent developments in global financial markets, enabling members to obtain and share such things as information relating to the audit or review of financial statements. We continue to promote this additional international agreement to support markets.

At the same time, we worked to boost the Secretariat's capacity to support IOSCO members in dealing with these new challenges: we introduced a series of timely webinars on issues impacting the work of regulators, brought new talent and expertise onboard at the IOSCO Secretariat's staff and continued our three-week seminar in conjunction with Harvard University Law School's Program on International Financial Systems (PIFS). We also orchestrated a gradual return to in-person meetings and expanded the IOSCO secondee

program, which enables the Secretariat to draw on the experience of its members by hosting experts from their commissions for one or more years. Secondees from emerging markets also gain from the experience of being on the front lines of IOSCO work.

IOSCO, like global capital markets, still faces daunting challenges. But during this particularly difficult period, IOSCO took forward its ambitious agenda on sustainable finance, crypto and financial stability, indicating that it is prepared to tackle whatever may lie ahead.

I would like to thank the staff of IOSCO, first and foremost for their continued diligence and devotion to the work we do in the IOSCO Secretariat. We have a small, highly motivated team here in Madrid which achieves an incredible amount. I would also like to thank our Chair Jean Paul Servais for his leadership and guidance over the year. His determination and energy has been transformative. Our members continue to give generously of their time and expertise to support our policy making work and to support each other in the implementation of our standards and that spirit of collegiality is at the heart of what IOSCO stands for. A particular thanks should also go to the Affiliate Members Consultative Committee (AMCC) and the various self-regulatory organizations and financial sector representative bodies that make it up for their engagement, which is highly valued by all of us.

Activities of IOSCO's policy committees in the Year

The IOSCO Board reviews the regulatory issues facing international securities markets and coordinates practical policy responses to address the concerns they raise. Eight policy committees conduct substantive IOSCO work under the guidance of the Board and supported by the General Secretariat:

- > Committee 1 Issuer Accounting, Audit and Disclosure;
- > Committee 2 Regulation of Secondary Markets;
- > Committee 3 Regulation of Market Intermediaries;
- > Committee 4 Enforcement and Exchange of Information;
- > Committee 5 Investment Management;
- > Committee 6 Credit Rating Agencies;
- > Committee 7 Derivatives; and
- > Committee 8 Retail Investors.

The Board also oversees the activities of the Growth and Emerging Markets (GEM) Committee. The GEMC seeks to develop and improve the efficiency of emerging securities markets through the development of standards, recommendations, best practices and guidance, the provision of training programs for members' regulatory staff and by facilitating the exchange of information, technology and expertise. The GEMC and the eight committees support IOSCO in pursuit of its three main objectives of protecting investors, maintaining fair, efficient and transparent markets and mitigating systemic risks.

In addition to the policy committees, several task forces and working groups examined relevant developments in the financial markets in 2022. These task forces and groups included:

- > Board-level Task Force on Financial Benchmarks
- > Sustainable Finance Task Force (STF)
- > Follow-up Group to the 2015 Cross-Border Regulation Task Force (FUG)
- > Board-Level Financial Stability Engagement Group (FSEG)

- > Board-Level Retail Market Conduct Task Force (RMCTF)
- > Board-Level Fintech Task Force (FTF)

IOSCO also maintained the Special Purpose Acquisition Company (SPAC) Network for information-sharing among members on this subject in 2022.

In 2020, these Committees and Task Forces focused heavily on supporting IOSCO's response to COVID-19 induced market stresses.

In 2022, IOSCO continued to respond to the risks that arose from COVID-19, such as those related to non-bank financial intermediation, but it also intensified efforts to address the challenges arising from climate change and other related issues, including market integrity, misconduct risks, fraud and operational resilience. The geopolitical situation was complicated by Russia's invasion of Ukraine and the implications of the war for economies in both Europe and beyond.

As always, investor protection, market integrity and financial stability remained high on the IOSCO agenda, as the organization continued its effort to ensure market integrity, the smooth functioning of global capital markets and the fight against climate change.

In February 2021, the Board published its 2021-2022 Work Program, which called on IOSCO to work on the following eight priorities in the two-year period:

- > Financial stability and systemic risks of non-bank financial intermediation activities
- > Risks exacerbated by the COVID-19 pandemic – misconduct risks, fraud, and operational resilience
- > Corporate debt and leveraged finance,
- > Crypto-assets
- > Artificial Intelligence and Machine Learning
- > Market Fragmentation in securities and derivatives markets
- > Passive Investing and Index Providers
- > Retail Distribution and Digitalization

Policy committees

Committee 1 on Issuer Accounting, Audit and Disclosure

Committee 1 on Issuer Accounting, Audit and Disclosure (C1) is devoted to delivering IOSCO's investor protection mandate by improving the development and maintenance of high-quality international accounting and auditing standards, enhancing financial reporting and audit quality and improving the quality and transparency of the disclosure and financial information that investors receive from listed companies.

To facilitate investor access to reliable and timely information, Committee 1 develops international disclosure standards and principles that provide a framework for member jurisdictions seeking to establish, strengthen or review their disclosure regimes for entities that issue securities.

In the field of accounting, Committee 1 also monitors the projects undertaken by the International Accounting Standards Board (IASB) of the International Financial Reporting Standards Foundation (IFRS Foundation), which includes observing the IFRS Interpretations Committee (IFRIC) and participating in the IFRS Advisory Council and other IASB working groups.

Working through the IASB, the IFRS's mission is to develop International Financial Reporting Standards (IFRS) – IFRS Accounting Standards – that bring transparency, accountability and efficiency to financial reporting around the world. Committee 1 contributes to the standard setting work of the IASB through its involvement in the IASB's work streams and its comment letters on IASB proposals, providing the IASB with input that reflects the perspective of securities regulators.

In 2021, the IFRS Foundation established the International Sustainability Standards Board (ISSB) as a sister board to the IASB, responsible for developing IFRS Sustainability Disclosure Standards to further inform economic and investment decisions. Committee 1 members contribute to IOSCO's work related to the ISSB.

At the meeting of the Trustees of IFRS Foundation in New Delhi, India, **in January 2009 the decision was made to enhance the IFRS's public accountability by creating a Monitoring Board (MB) of public authorities to oversee the IFRS Foundation.**

The members of the Monitoring Board currently include representatives of the IOSCO Board and its Growth and Emerging Markets Committee, the

European Commission, Financial Services Agency of Japan (JFSA), Financial Conduct Authority (FCA) of the UK, US Securities and Exchange Commission (SEC), Brazilian Securities Commission (CVM), Financial Services Commission of Korea (FSC), and Ministry of Finance of the People's Republic of China.

IOSCO believes that a set of international auditing standards has an important role to play in supporting investor confidence and decision making. To that end, Committee 1 monitors the activities of two standard setting bodies: The International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), and it participates in their respective Consultative Advisory Groups (CAGs).

In November 2022, IOSCO issued a Statement on Financial Reporting and Disclosure during Economic Uncertainty, which emphasized issuers' need for fair, transparent and timely disclosure about impacts of economic uncertainty.

In 2022, IOSCO examined issues related to goodwill, as part of its effort to identify good practices for addressing the risk of unrecognized impairment on accumulated goodwill balances and related disclosures arising from business combinations. A consultation paper on goodwill was expected to be published in mid-2023, and the feedback received was to help formulate a set of recommendations for regulators, auditors, issuers and those charged with governance.

Monitoring Group Consultation Paper on reform of the global audit standard-setting process

IOSCO is a founding member and Chair of the Monitoring Group (MG) of international organizations committed to advancing the public interest in areas related to international audit standard setting and audit quality. In 2022, IOSCO continued to act as the Secretariat to the Monitoring Group whose members are the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Forum of Independent Audit Regulators and the World Bank.

In 2022, the Monitoring Group was co-chaired by Jean-Paul Servais, Chair of the Financial Services and Markets Authority (FSMA), Belgium, and now Chair of the IOSCO Board, and Paul Munter, Chief Accountant for the US. Securities and Exchange Commission (US SEC). The Monitoring Group works with the International Audit-related Standard-setting Boards in the Public Interest.



In November 2017, the Monitoring Group issued a consultation paper on Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest. The objective was to obtain stakeholder views on how best to safeguard the independence of the audit standard setting process and increase its responsiveness to the public interest. The consultation paper set out various options to enhance the governance, accountability and oversight of the international audit standard-setting process. After reviewing the 180 comments from a wide range of stakeholders, the Monitoring Group published, in July 2020, the final reform measures aimed at strengthening the international audit and ethics standard-setting system.

In June 2021, the MG began to implement the recommendations, which included workstreams for the following six key aspects needed to implement the MG Reforms: (i) Nominations and Transition of the Boards, (ii) Legal Structure, (iii) Staffing Needs and Costs, (iv) Funding (v) Skills Matrices and Conflict of Interest Policies, and (vi) Operating Procedures.

In April 2022, the MG published a report highlighting the importance to investors, issuers, national standard-

setters, regulators and others of high-quality audits conducted in accordance with standards developed by an independent and inclusive international audit and ethics standard-setting structure. It is in the public interest that all stakeholders in the financial reporting ecosystem who benefit from a single set of high-quality international auditing and ethics standards contribute to support long-term financial stability of the standard-setting system, the MG said in its report.

In December 2022, the MG reported on progress to Implement these Recommendations to the Strengthen the International Audit and Ethics Standard-Setting System, noting the recommendations were on track to implementation.

After issuing an open call for applications for board members for the Public Interest Oversight Board (PIOB) in June 2022, the Monitoring Group Nominating Committee completed the process of appointing four new and reappointing two members of the PIOB in January 2023. PIOB is the global independent oversight body that seeks to improve the quality and public interest focus of the international audit and assurance, and ethics standards formulated by the International Standard Setting Boards.

Sustainability-related Disclosure

Committee 1 was instrumental in IOSCO's work to enhance issuer disclosure of sustainability-related information.

(For further information on IOSCO's work on sustainability-related matters in corporate reporting, refer to the Board-Level Task Force on Sustainable Finance below under Task Forces.)

Other Activities in 20202

Work on Valuations

Since 2020 when it was mandated by the IOSCO Board, Committee 1 has been working on valuation-related issues in financial reporting, auditing and disclosures. Committee 1 conducted a survey of its members to understand current valuation practices across the regulatory community and organized a March 2022 roundtable jointly with the International Valuation Standards Council (IVSC) to gather feedback from standard setters, investors, auditors and valuation providers on existing challenges and potential ways to mitigate them.

Based on this work, in October 2022, IOSCO and the IVSC, entered into a Statement of Cooperation aimed at developing a better understanding of the quality and consistency of valuations and the professional standards employed by valuers internationally with the objective of mitigating risks to the quality of financial information for the protection of investors and for the stability of the financial system.

Committee 2 on Regulation of Secondary Markets

Committee 2 on Regulation of Secondary Markets examines the structure and regulation of global capital markets and financial market infrastructure, including developments in technology and trading and oversight of trading venues. The work of Committee 2 focuses on issues relating to investor protection, market integrity and fair and efficient markets.

The IOSCO Board approved a mandate in June 2022 for Committee 2 to assess the impact of changes in the business models of trading venues, the emergence of new types of trading platforms and the structure of secondary markets in recent years on the efficiency and integrity of the market. To support the analysis of changes that have occurred to the structure and

operation of trading venues, IOSCO/committee 2 distributed a Survey among IOSCO members with their responses due in January 2023.

Operational Resilience see section below on cross-committee work

Market Structure

Trading venues and exchanges are the lynchpins of the financial system; they are the organized marketplace through which most equities are traded (as well as many other financial instruments). Consequently, how trading venues are organized, and run, is of critical interest to regulators – both with respect to how the venue itself operates and the impact of the venue(s) operations on the wider market.

In recent years, the business models of trading venues have undergone significant modifications, with the emergence of new types of trading venues and changes to the structure of secondary markets over recent years. In response, the IOSCO Board approved a mandate in June 2022 for Committee 2 to assess the impact of these changes on the efficiency and integrity of the market and on regulatory approaches and, in particular, to analyze and assess market structure, the regulatory perimeter, the impact of fragmentation, technology and digitization.

Although the pandemic increased cyber security risks, accelerated the use of existing, new and emerging technologies and disrupted some outsourcing arrangements, regulated entities continued to serve their clients and the broader economy during the pandemic. Other unprecedented challenges included the restrictions on mobility and business operations and periods of extreme market volatility and record trading volumes.

Market Outages

Market outages, particularly if they occur in a listing trading venue, can be highly disruptive, impacting price discovery, market resilience and undermining the integrity of financial markets. Previous IOSCO reports have addressed outages, but mainly from the perspective of managing risks to critical systems and business continuity planning. The IOSCO Board, at its meeting in June 2022, approved a mandate for Committee 2 to identify lessons learnt from recent outages and whether other regulatory considerations or guidance could be developed to enhance market resilience and ensure that orderly trading in the market could be maintained throughout an outage.





IOSCO Seminar Training Program

26-28 September 2023



A survey was circulated to C2 members to gather information on recent outages, industry practices and regulatory issues with responses due in January 2023.

Market Data

In April 2022, IOSCO published a report that set out issues and considerations for regulators reviewing the regulation of market data.

Earlier, in December 2020, Committee 2 published a consultation report on issues associated with market data in secondary equity markets. While market data is an essential element of fair and efficient markets, participants in many jurisdictions have raised concerns about the content, costs, accessibility, fairness and consolidation of these data, as secondary markets have evolved, impacting the market data needs of many jurisdictions and raising concerns about the costs, accessibility, fairness, and consolidation of market data.

Highlighted the importance of market data as an essential element of efficient price discovery and for maintaining fair and efficient markets.

Committee 3 on Regulation of Market Intermediaries

Committee 3 seeks to promote investor protection and market efficiency through its policy work on issues related to market intermediaries.

An important and timely Committee 3 workstream in 2022 was *Digitalization and Cross-Border Distribution (Follow-up to Retail OTC Leveraged Products Project)*, which analyzed the developments in online marketing and digital distribution by market intermediaries of financial products to retail investors, both domestically and on a cross-border basis. The report presented policy and enforcement measures. (see *Cross-committee work below*)

Operational Resilience see section below on cross-committee work.

Project on Leveraged Loans (LL) and Collateralized Loan Obligations (CLO) see section below on cross-committee work for more details.

Committee 4 on Enforcement and the Exchange of Information

Committee 4 on Enforcement and the Exchange of Information encourages members to share information on investigations of securities and derivatives laws,

good practices for investigation and international cooperation in investigations. It provides a platform for members to share experiences in identifying and addressing emerging types of misconduct.

Additionally, members share best practices to facilitate the process of requesting and providing international assistance on enforcement matters, using the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMOU) and the Enhanced Multilateral Memorandum of Understanding (EMMOU) as the benchmarks for cooperation. Being mindful of the need to share important thematic lessons with the wider IOSCO membership, C4 from time-to-time issues publications on enforcement topics relevant to IOSCO members.

In 2022, IOSCO celebrated the 20th anniversary of the MMOU, a mechanism that enables its 129 signatories from both emerging and developed markets to cooperate rapidly and effectively for enforcement purposes. In 20 years, the MMOU cumulatively supported 51,458 exchanges of information, from an initial low point of 56 annual interactions in 2003 to 5,567 interactions in 2022. Securities regulators share essential investigative materials through the MMOU and its enhanced version, the EMMOU, including beneficial ownership information and securities and derivatives transaction records, such as bank and brokerage records.

The MMOU is also a valuable vehicle for crypto-related requests for cooperation.

Enforcement Cooperation

Committee 4 continued to work with the MMOU Screening Group in 2022 to encourage IOSCO members to cooperate on enforcement under the MMOU and EMMOU, as the international standards for securities enforcement cooperation and information exchange. Cooperation among regulators on enforcement is essential to sustain effective global regulation and robust securities markets around the globe and ensure their healthy and robust development.

Issues in International Cooperation

Committee 4 continues to focus on facilitating the exchange of information and the provision of mutual assistance among IOSCO members in enforcement. Members recognize that good practices complement international cooperation under the MMOU/EMMOU. In 2022, Committee 4 held several discussions on ways that regulators could facilitate international assistance

and support enforcement functions at a practical level. Some ideas from these discussions include the provision of real-time intelligence sharing and the use of technology to enhance the speed and security of information shared under the MMoU/EMMoU.

Enforcement Toolbox

A regulator's enforcement toolkit consists of a combination of legislative powers, techniques, arrangements and technological tools used to investigate misconduct and prosecute offenders who violate securities and derivatives laws and deliver effective deterrence in each case. Committee 4 recognizes the importance of regulators regularly considering the makeup of their enforcement toolkits to ensure they are well equipped to address serious current and emerging threats including digital threats in their markets and to investors. Committee 4 believes it is important for regulators to exchange ideas on effective and/or innovative existing and forward-looking enforcement tools, to facilitate the process of adding to or adapting enforcement toolkit.

In October 2020, the Board approved a Committee 4 project specification to identify and create a reference tool of effective and/or innovative legislative powers, techniques, arrangements and technological tools that members can draw on when considering whether to add to or adapt their enforcement toolkits.

Emerging Digital Threats

In 2019, Committee 4 launched an emerging digital threats (EDT) portal for IOSCO members. The portal is designed to provide information to help ordinary and associate members respond to the threats posed by emerging digital activities in global capital markets. IOSCO members have been posting materials on this topic to the EDT portal under three main headings:

- > Regulators' Actions in relation to crypto-asset schemes and other digital threats;
- > Articles on crypto-asset schemes and other digital threats;
- > Regulators' statements, guidelines and advisory notes

Committee 4 continues to encourage IOSCO members to populate the portal with their work in this area and to use the portal as a repository of information and materials to assist global securities regulators combat digital threats.

Credible Deterrence

Committee 4 published its report on *Credible Deterrence in the Enforcement of Securities Regulation* in 2015. The report identified seven factors that could deter misconduct in securities and derivatives markets in a credible way and encouraged regulators to consider these factors within their credible deterrence strategy. In September 2020, Committee 4 agreed to review the report for improvement and update it in line with the emergence of new technologies and products and growing cyber issues.

In May 2022, the working group held a virtual review meeting where they conducted a page-by-page read through of the draft updated report and made drafting changes. The working group provided an oral update to C4 at its June and November 2022 meetings. Committee 4 is expected to publish the updated report in 2023.

Committee 5 on Investment Management

Since 2010, IOSCO has undertaken a biennial data collection exercise for the IOSCO Hedge Funds Survey. However, the scope of the 2021 data collection went beyond hedge funds to include, for the first time, the opened-ended and closed-ended funds industries.

Based on these figures, IOSCO published its first *Investment Funds Statistics Report* in January 2022 and the second one in January 2023, to gain new insights into the global investment funds industry and the potential systemic risks this industry may pose to the international financial system.

ETF Work/ Corporate bond markets

The IOSCO Board published in April 2022 its report on *corporate bond markets – drivers of liquidity during COVID-19 induced market stresses--* and invited stakeholder feedback on its analysis. This work, prepared by a workstream led by the Board-level Financial Stability Engagement Group (FSEG), was published alongside a consultation report on good practices for IOSCO members, asset managers, and trading venues to consider in the operation and trading of Exchange Traded Funds (ETFs). The good practices, a committee 5 project, sought to supplement IOSCO's *2013 Principles for the Regulation of Exchange Traded Funds*. (see section on FSEG below).

Feedback on the reports helped inform IOSCO's ongoing review of these markets and its considerations on ways



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to improve market functioning and the resilience of liquidity supply under stress. The March 2020 events raised questions about market-functioning and whether improvements could be made to bolster liquidity and alleviate supply side constraints in stress.

The feedback was largely consistent with the outcomes and observations in the report. The responses were also generally supportive of continuing work toward facilitating increased liquidity provision in corporate bond markets, although corporate bonds are traded infrequently, compared to other large developed markets such as equities, meaning rapid improvements in liquidity were not expected.

The corporate bond analysis provided a broader context on the underlying market that buyside investors such as ETFs and traditional open-ended funds increasingly invest in. These markets grew exponentially after the Global Financial Crisis. The COVID-19 induced-market stress and highlighted the potential system significance of disorderly corporate bond trading and liquidity dysfunction.

Moreover, secondary corporate bond trading was shown to remain mostly reliant on a small network of OTC dealers in markets that remained fairly illiquid.

For ETFs, the 11 proposed good practices in the report respond to significant global ETF market growth, and the increasing number of new products with exposure to novel and less liquid asset classes and more complex investment strategies.

Index Providers and Asset Managers

In October 2022, IOSCO launched a survey on the interaction between Index Providers and Asset Managers, to examine the nature of this interaction. The questionnaire was intended to support the work of IOSCO Committee 5 on Investment Management by furthering its understanding of certain conduct-related index provider matters.

The survey sought information from respondents on their governance and processes during exceptional market events or shocks, such as the Russian market shock in 2022.

IOSCO identified potential areas that required further study, such as (i) the role of asset managers in relation to indices and index providers and the role and processes of index providers in the provision of indices, (ii) the potential impact of administrative errors on investment funds and (iii) potential conflicts of interest that may exist at the index provider in relation to the fund.

Committee 6 on Credit Rating Agencies

Committee 6 had a *watching brief status*.

Committee 7 on Derivatives

Review of the Principles for the Regulation and Supervision of Commodity Derivatives Markets

In November 2021, the IOSCO Board requested feedback from stakeholders on proposed revisions to its 2011 *Principles for the Regulation and Supervision of the Commodity Derivatives Markets*. The revisions were aimed at maintaining a resilient framework for the regulation and oversight of the commodity derivatives markets.

The revised Principles, prepared by IOSCO Committee 7 on Derivatives, seek to ensure that commodity derivatives markets continue to facilitate price discovery and hedging, while remaining free from manipulation and abusive practices.

IOSCO published the original Principles in response to the G-20 Leaders' 2010 Seoul Declaration on the continued pressures in the global commodity markets. The Principles are accepted as global standards and taken as guidance by regulators around the world. Following the G-20 requests, Committee 7 conducted three implementation reviews of the Principles in 2012, 2014 and 2018.

In recent years, commodity derivatives markets have evolved, shaped by new trading venues, the growing role of unregulated firms in these markets and the increasing need to strengthen cyber-security and operational resilience.

Accordingly, Committee 7 in 2020 analyzed the impact of these developments on commodity derivatives markets to determine if the Principles continued to serve as a framework for the regulation of commodity derivatives markets and then to revise them, as necessary.

After publishing a consultation paper in November 2021, with comments due in January 2022, IOSCO issued a final report in January 2023.

OTC derivatives post-trade service providers

This project called for IOSCO to review, update and consolidate the existing IOSCO material on outsourcing. Committee 7 worked to determine the role of post-trade service providers and the relevant services for derivatives and to assess the risks they posed to the financial system.

Committee 7 focused on six third-party service areas: trade matching and confirmation service providers, portfolio reconciliation service providers, portfolio compression service providers, collateral management service providers, trade reporting service providers and credit limit check service providers.

Project on Risk Reduction Services

In December 2021, the IOSCO Board approved a mandate for Committee 7 to assess the possible risks associated with market participants' increased use of risk reduction services and the growing concentration of third-party risk reduction service providers.

The project focuses on portfolio compression and counterparty risk optimization services operating in the OTC derivatives markets.

Market participants employ third party service providers to help perform risk reduction techniques. These services may present specific challenges and merit further attention with a specific OTC derivatives angle and from a systemic risk perspective.

Accordingly, IOSCO Committee 7 proposed a project to assess the risks associated with the increased use and concentration of third-party risk reduction service providers.



Given the volumes of derivatives contracts that are exposed to portfolio compression and counterparty risk optimization services and the possible material impact of these services on the overall amount of initial margin (IM) posted because of the use of these services, Committee 7 believes these services deserve regulatory attention and scrutiny, and possibly better coordination globally. To this end, Committee 7 assessed in 2022 the overall landscape and the risks associated with the increased use and concentration of third-party risk reduction service providers.

Project on ESG Derivatives

Committee 7 is looking at various issues related to ESG derivatives, such as 1- Regulatory status and treatment 2-Documentation, Disclosure and Transparency 3-Liquidity, Cost and Other Economic Efficiency Issues, and 4- Various other Underlying Policy Considerations. C7 is coordinating with the Sustainable Finance Task Force (STF) for inclusion of this work in the STF work plan.

Committee 8 on Retail Investors

Policy Work

Impact of COVID-19 on investor behavior and investor education

The Board approved the project specification for this work on COVID-19 and investor behavior and education in July 2021. The main objective was to help IOSCO members better understand retail investor trends, vulnerabilities and behavior during periods of crisis and enable them to enhance their investor protection and fraud prevention. The report on *Investor Behaviour and Investor Education in Times of Turmoil: Recommended Framework for Regulators based on Lessons Learned from the COVID-19 Pandemic* was published on 30 November 2022.

The report describes how the pandemic introduced new challenges and exacerbated some existing issues. The COVID-19 period featured high levels of market volatility, an upward trend in self-directed investing, an increase in gamification of investing and growing investor reliance on social media for advice, as well as a surge in frauds and scams in a context of increased retail (and young and demographically diverse) investor participation.

The report proposes seven sound practices that regulators should consider when designing financial and investor education initiatives to mitigate and address retail investor risks and vulnerabilities during periods of crisis.

IOSCO consults on recent retail investor trends and related conduct implications

Increased retail participation in securities markets could mean retail investors increasingly influence market trends and pricing, with corresponding regulatory implications for retail market conduct. Increased retail participation carries with it the threat of misconduct in capital markets, which has far-reaching consequences for financial consumers, investors, national economies and the overall global financial system.

The consultation report, published in January 2022, provides a clear picture of the evolving global retail investor trends and their implications for market conduct. Among other issues, it examines the reasons for and regulatory and market implications of increasing gamification, self-directed trading and the influence of social media on retail investor behavior.

Impact of COVID-19 on investor behavior and investor education

The main objective of this project was to help IOSCO members better understand retail investor trends, vulnerabilities and behavior during periods of crisis and enable them to carry out better investor protection and educational measures, including fraud prevention. A report was published in November 2022, complete with case studies and sound applied practices for investor protection and education. The main participants in this work were the Retail Market Conduct Task Force (RMCTF) and Committee 8 on Retail Investors.

Development of retail investor education tools in the context of sustainable finance markets and products

In August 2022, IOSCO published the report on *Retail Investor Education in the Context of Sustainable Finance Markets and Products*, which identified recent developments in investor education regarding sustainable finance, with a view to enhancing investor education and protection and supporting the sound development of this financial market. To make informed decisions, retail investors need to understand the characteristics of such products.

World Investor Week

IOSCO held its sixth World Investor Week from 4 to 10 October 2022 (some jurisdictions conducted WIW-related activities in the October-November period, due to their circumstances during the Covid-19 pandemic). Securities regulators, stock exchanges, international organizations, investor associations and other IOSCO

stakeholders from jurisdictions around the world participated in this campaign in favor of financial literacy and investor education and protection. Coordinated by Committee 8, this annual event serves to raise awareness worldwide about the importance of investor education and protection. Activities during the week range from workshops and conferences to local and national investor education campaigns, games and contests.

In addition to highlighting the importance of investor education and protection, a key objective of the WIW is to help investors understand and respond to rapid technological change and the challenges posed by increasingly interconnected financial markets.

The 2022 WIW focused on innovations that are reshaping the marketplace, such as sustainable finance and crypto assets, and on the challenging environment that called for enhancing investor resilience.

Information-sharing Networks and Task Forces

A growing body of IOSCO work draws on the expertise of various policy committees and/or Task Forces, as regulators find it increasingly useful to examine pressing issues from various market perspectives. For IOSCO, this collaborative work provides a fuller picture of the risks and challenges that regulators, investors and other market participants face in a rapidly changing financial landscape. In addition to cross-committee work, IOSCO members shared information through IOSCO networks. However, in the past two years, IOSCO has converted many networks into task forces, enabling it to conduct policy work on many of today's pressing financial market issues.

Special Purpose Acquisition Companies (SPACs)

While Special Purpose Acquisition Companies (SPACs) have long existed, transactions involving them surged in 2020 and 2021, drawing increased regulatory attention to the issues SPACs raised, in particular with respect to investor protection and market integrity. In June 2021, the IOSCO Board agreed to establish the IOSCO SPAC Network to facilitate information sharing about SPACs and monitor developments in this area.

Jean-Paul Servais, Chairman of the Financial Services and Markets Authority (FSMA), Belgium and the then Vice-Chair of the IOSCO Board, chaired the IOSCO SPAC network in 2022. The network held its first meeting in July 2021 where it discussed the issues raised by SPACs. It also set up a repository of regulatory initiatives by SPAC members and analyzed the issues they raised in different jurisdictions. In December

2021, the SPAC network held a stakeholder meeting to better understand these issues. On the basis of this work, the network prepared an interim report prepared for the IOSCO Board Meeting in March 2022, where the Board agreed that the SPAC Network should analyze more closely the issues around retail participation, dilution and the relationship between SPACs and IPOs. A SPAC core group circulated a survey among members, and the responses were due by 30 September 2022, to inform a report for the Board.

Task Forces

Board Level Task Force on Financial Benchmarks

Benchmarks play a key role in the financial system's core functions of pricing and allocating capital and risk. They impact enormous volumes of credit products (e.g., loans, mortgages, structured products, short-term money market instruments and fixed income products) and derivatives. Additionally, they are used in trade finance, valuation, accounting and taxation.

In September 2012, IOSCO's Board established a Board-level Task Force to identify and consider benchmark related issues (including transparency, methodology, governance, oversight) and factors to be considered in the transition to an alternative benchmark. The Task Force was entrusted with developing principles to support the quality and resilience of benchmarks.

Since publication of the Benchmark Principles in 2013, IOSCO has conducted several reviews of their implementation and issued guidance aimed at helping Benchmark Administrators increase the consistency and quality of the reporting on their compliance with the Principles.

The benchmarks reform carried out under the aegis of the Financial Stability Board Official Sector Steering Group (OSSG) seeks to ensure a smooth transition from the existing IBORs to alternative rates.

The transition away from the London Interbank Offered Rate or LIBOR remains a significant priority, given its widespread global use. Regulators also were concerned that some of LIBOR's shortcomings might be replicated through the use of credit sensitive rates that lack sufficient underlying transaction volumes. In June 2021, the IOSCO Board agreed to conduct a one-time review of the alternative benchmarks to

USD LIBOR. IOSCO issued a statement in September 2021, where it called on administrators of Corporate Social Responsibilities (CSRs) to assess whether their benchmarks were based on active markets with high volumes of transactions, representing the underlying interest they intend to measure and whether such benchmarks are resilient during times of stress.

Following Board approval, the Benchmarks Task Force (BTF) set up a Review Team (RT), co-chaired by the UK FCA and the US SEC. Other members of the RT are Belgium FSMA, US CFTC and ESMA, with the support of the IOSCO GS.

Board-level Task Force on Sustainable Finance (STF)

IOSCO played a pivotal role in financial reporting through its endorsement 20 years ago of the IFRS standards for public companies, which were designed to make company financial statements consistent, transparent and easily comparable around the world. With its work in 2022 regarding the International Sustainability Standards Board, IOSCO aimed at furthering global sustainability reporting in much the same way as it enhanced financial reporting years earlier.

IOSCO created the Sustainable Finance Network (SFN) in October 2018 as a forum for members to discuss sustainability matters. In 2020, IOSCO issued the report on *Sustainable Finance and the Role of Securities Regulators*, which indicated that many issuers and asset managers operating cross border are subject to different regulatory regimes, or they participate in multiple regional or international third-party initiatives. The report found that this wide variety of regulatory regimes and initiatives, often with inconsistent objectives and requirements, may prevent stakeholders from fully understanding the risks and opportunities that sustainable business activities entail.

Given the growing importance of sustainable finance, the IOSCO Board agreed in February 2020 to establish the Board-level Task Force on Sustainable Finance (STF) with a mandate to promote investor protection and improve market transparency in the area of sustainable finance and, in effect, take over from the work of the SFN.

To fulfill its mandate, the IOSCO STF had launched three workstreams ahead of the 2021 United Nations Climate Change Conference (COP26) which focused on:

- > Sustainability-related disclosures for issuers (Final report published in June 2021);
- > Sustainability-related disclosures for asset managers, to fight greenwashing (Final report published in November 2021); and
- > ESG ratings and data product providers (Final report published in November 2021).

Following, among others, IOSCO's statement on the urgent need for globally consistent, comparable and reliable sustainability disclosure standards and the announcement of its vision for an International Sustainability Standards Board under the IFRS Foundation, the International Sustainability Standards Board (ISSB) was established at COP26 to develop a comprehensive global baseline of sustainability disclosures for capital markets. IOSCO announced its plans to consider potential endorsement of future standards issued by the ISSB to use for cross-border – and potentially also domestic – purposes to guide issuers' sustainability-related reporting in their jurisdictions.

Main activities in 2022

The IOSCO Board approved, at its meeting in March 2022, the new STF workplan for 2022, with a focus on five key areas:

- (i) the assessment of the two ISSB standards published for consultation in March 2022 and deliberations of recommendations for IOSCO's possible endorsement,
- (ii) assurance over sustainability-related disclosures,
- (iii) good industry practices and supervision,
- (iv) carbon markets, and
- (v) capacity building for IOSCO members.

Convening the expertise from its members across the globe and other stakeholders, IOSCO STF has made substantial progress throughout 2022 on all above priorities, such as:

- (i) The IOSCO Board welcomed the strong engagement on the ISSB's Exposure Drafts of sustainability-related disclosure standards,* set out key issues stemming from its technical analysis of the proposals, and agreed on the criteria it would use to decide whether to endorse the standards when they are finalized.

* See *Exposure Drafts IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures)*, March 2022, IFRS Foundation, available at <https://www.ifrs.org/projects/completed-projects/#all-projects>.

- (ii) In September 2022, the IOSCO Board welcomed the plans of the international audit and assurance standard setters – the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) – to work towards high-quality, global assurance and ethics (including independence) standards that are profession-agnostic and can support limited, and ultimately, reasonable assurance of sustainability-related information as it would serve to support the consistency, comparability and reliability of sustainability-related information provided to the market, enhancing trust in the quality of that information.
- (iii) In November 2022, IOSCO published a call for action, asking all voluntary standard setting bodies and industry associations operating in financial markets to promote good practices among their members to counter the risk of greenwashing related to asset managers and ESG rating and data providers.
- (iv) In November 2022, IOSCO launched a 90-day public consultation on recommendations for establishing sound Compliance Carbon Markets (CCMs) and on key considerations for enhancing the resilience and integrity of Voluntary Carbon Markets (VCMs). Responses were due in February 2023.
- (v) IOSCO also began to organize capacity building exercises in collaboration with the ISSB, to ensure that emerging market jurisdictions particularly understand the standards and can implement them within their jurisdictions. The first capacity building exercise was held in September 2022.

In December 2022, Mr. Rodrigo Buenaventura, Chair of the Spanish Securities Market Commission (CNMV), assumed the chairmanship of the IOSCO STF, taking over from Erik Thedéen, Director General of Finansinspektionen (FI) Sweden.

IOSCO STF agreed the continuation of its work on an ambitious work program for sustainable finance beyond 2022 with the objective of





ensuring that financial markets contributed positively to sustainability challenges, thereby helping ensure financial market integrity and investor protection.

IOSCO documents referenced above can be found at IOSCO website:

- > *IOSCO's 2022 Sustainable Finance work plan strengthens the organization's commitment to increasing transparency and mitigating greenwashing* (March 2022)
- > *IOSCO welcomes the ISSB's publication of sustainability standards exposure drafts* (March 2022)
- > *IOSCO welcomes the strong stakeholder engagement on proposals for a comprehensive global baseline of sustainability disclosures for capital markets* (July 2022)
- > *IOSCO encourages standard-setters' work on assurance of sustainability-related corporate reporting* (September 2022)
- > *IOSCO outlines regulatory priorities for sustainability disclosures, mitigating greenwashing and promoting integrity in carbon markets* (November 2022)
- > *Call for Action (IOSCO Good Sustainable Finance Practices for Financial Markets Voluntary Standard Setting Bodies and Industry Associations), November 2022 IOSCO consults on the development of sound and well-functioning carbon markets* (November 2022)

Follow-up Group to the 2015 Cross-Border Regulation Task Force (FUG)

After identifying market fragmentation as a priority for IOSCO, the Board approved a mandate in December 2018 for a Follow-Up Group (FUG) to continue the work of the 2015 Cross-Border Regulation Task Force.

IOSCO published a report in January 2022, setting out lessons learned from the current use of existing supervisory colleges and areas of possible improvement. The report also explored where else, within securities markets, supervisory colleges could be used to deepen supervisory cooperation and information-sharing among securities regulators.

Board-Level Financial Stability Engagement Group (FSEG)

A key objective of the joint IOSCO-FSB work on Non-Bank Financial Intermediation (NBFI) was to increase the resilience of the non-bank credit and investment markets, both of which have grown in recent years as a result of cheap money and strong investor demand for yield. The aim of these efforts was also to provide standards for consistent global regulation and to support the work of the FSB in this area.

In 2022, the FSB's work focused in part on assessing the effectiveness of its 2017 policy recommendations to mitigate vulnerabilities in Open Ended Funds stemming from liquidity mismatch. This work took place in coordination with IOSCO's review of its 2018 recommendations on liquidity risk management for such funds.

The FSEG worked with the FSB on issues of liquidity mismatch and leverage within the NBFI sector. The FSEG played an important role in including the perspective of securities market regulators into the regulatory and standard-setting work in this area, particularly regarding vulnerabilities in money market funds and bond markets, collateralized loan obligations (CLOs), open-ended funds (OEFs) and margining practices.

The COVID-19-related market stress in 2020 highlighted the potential systemic impact of disorderly corporate bond trading and liquidity dysfunction. IOSCO, CPMI and BCBS conducted a data-driven analysis of margin calls in March-April 2020 and on the extent to which market participants were prepared to meet them. The report fed into the FSB's work to enhance the resilience of the NBFI sector and highlighted the need for further policy work in this area.

Board-Level Retail Market Conduct Task Force

In February 2020, the IOSCO Board established the Board-level Retail Market Conduct Task Force (RMCTF) with two objectives. The first and immediate objective was to assist members in addressing retail market conduct challenges arising from the Covid-19 pandemic and greater market participation by retail investors.

Accordingly, in December 2020, IOSCO published a report that examines common retail misconduct risks

and harms affecting the financial services industry and retail investors during the pandemic and sets out measures to help authorities respond to these challenging developments.

The medium-term work of the RMCTF was launched with a broad information and data gathering exercise through an IOSCO survey. The task force's second and more overarching medium-term objective was to examine the trends giving rise to incidents of misconduct in retail markets and the regulatory approaches to address them.

In March 2022, IOSCO published the consultation report on the development of a regulatory toolkit for jurisdictions to consider when addressing emerging retail market conduct issues in the rapidly changing retail investment landscape.

The consultation report on retail market conduct responded to the evolving retail trading landscape, shaped by changing macro conditions, demographic trends and technological developments. Innovative technologies and social media have transformed retail investing, giving way to new trends such as gamification and self-directed trading.

The consultation report provided a clear picture of the implications of these trends for retail investor behavior; it also asked for feedback on the development of a possible regulatory toolkit for jurisdictions to consider when addressing emerging retail market conduct issues. The final report will serve as a guide to help regulators around the world develop their approach to these conduct challenges.

Following its initial work focusing on the retail conduct implications of COVID-19, the RMCTF turned to analyzing retail market conduct issues from a broader perspective, including the impact of social media on retail trading decisions, activist retail activity, emerging digital and crypto trends and gamification.

The RMCTF developed an online Retail Market Conduct Repository for its members, thereby facilitating the collection of case studies.

Fintech Task Force

In early 2022, the IOSCO Board agreed to establish a Board-level Fintech Task Force (FTF), chaired by Tuang Lee Lim from the Monetary Authority of Singapore (MAS). The idea was to replace the Fintech Network created in May 2018 and shift IOSCO's focus in this area from information sharing to policy work.

The FTF is tasked with developing, overseeing, delivering and implementing IOSCO's regulatory agenda for Fintech and crypto assets and coordinating IOSCO's engagement with the Financial Stability Board and other standard-setting bodies.

The FTF developed and agreed on a workplan for 2022-2023, which sets out its regulatory policy agenda and work program for the sector in this period. In the early stages, the FTF prioritized policy work on crypto-asset markets and activities, while continuing to monitor trends associated with broader Fintech developments. In 2022, the FTF created two workstreams: the Crypto and Digital Assets workstream (CDAWG) and the Decentralized Finance workstream (DeFi WG).

IOSCO published a detailed report setting out how decentralized finance or DeFi was quickly evolving to mirror conventional financial markets. The report offered a comprehensive review of the fast-evolving DeFi market and identified some products and services that are novel to DeFi.

However, it indicated that most of the new services replicate more traditional financial services and activities, but with weaker regulation and increased risks for investors.

Cross-Committee work

Project on Leveraged Loans (LL) and Collateralized Loan Obligations (CLO)

In March 2022, a working group (WG) composed of C3 and C5 experts completed the Phase 1 report on the vulnerabilities and conduct-related issues in both leveraged loans (LL) and collateralized loan obligations (CLO) markets. The report highlighted several vulnerabilities in both the LL and CLO markets and identified possible conduct and conflicts of interest risks across the intermediation chain – from LL origination through the distribution of the CLO notes.

The joint C3-C5 project (Phase 2), approved by the Board in June 2022, aimed to develop a public consultation paper on potential good practices in the LL and CLO sectors for industry participants to implement. The document will set forth recommended good practices some of the vulnerabilities observed in the Phase 1 Report and will cover, for example, areas such as the accurate use of EBITDA add-backs and other contractual terms of LL agreements, conflicts of interest management across market participants

throughout the intermediation chain, greater and clearer disclosure of certain key financial terms in the LL contracts, and on-going disclosure to investors of financial information on corporate borrowers.

To develop their policy view and test their initial thinking, C3 and C5 conducted an extensive stakeholder outreach in 2022 with trade bodies, central banks, industry representatives, academics and other international bodies.

Operational Resilience

The COVID-19 pandemic provided an opportunity for IOSCO to examine the operational resilience of trading venues and market intermediaries and ensure they were prepared for future operational disruptions. The pandemic increased cyber security risks, accelerated the use of existing, new and emerging technologies and disrupted outsourcing arrangements, among other things.

Committees 2 on the Regulation of Secondary Markets and 3 on the Regulation of Market Intermediaries worked together in 2021 on a consultation paper describing the lessons learned from the operational resilience of trading venues and market intermediaries during the pandemic. The report was published in January 2022.

In July 2022, IOSCO published the final report, which describes the impact of the COVID-19 pandemic on the operations of trading venues and market intermediaries and concludes that these regulated entities largely proved to be operationally resilient. The report emphasizes that the regulated entities continued to serve their clients and the broader economy during the pandemic, despite unprecedented challenges, such as extreme market volatility, record trading volumes and increased security risks.

The reports define operational resilience as the ability of a regulated entity to deliver critical operations through a disruption.

The previous IOSCO operational resilience principles, recommendations and guidance provide the core structure for regulated entities and regulators when considering operational resilience, and the findings in the 2022 report suggest this framework has worked well.

However, the pandemic highlighted opportunities to learn lessons on how to further improve regulated entities' operational resilience. The report therefore set

out some observations and identifies lessons learned from the pandemic to help inform regulated entities' future operational resilience arrangements.

Review of margining practices

In late September 2022, IOSCO participated in a Review of margining practices: IOSCO, the Committee on Payments and Market Infrastructures and the Basel Committee on and Basel Committee on Banking Supervision (BCBS) conducted a data-driven analysis of margin calls in the market turmoil of March-April 2020 and on the extent to which market participants were prepared to meet them. The report fed into the FSB's work to enhance the resilience of the NBFI sector and highlighted the need for further policy work in this area.

Further key outputs of the NBFI work program are scheduled to conclude during the 2023-2024 term and will require ongoing involvement by IOSCO and members of the Financial Stability Engagement Group.

Online marketing and distribution to retail investors

In 2022, the IOSCO Board jointly asked Committee 3 on Regulation of Market Intermediaries and Committee 4 on Enforcement and the Exchange of Information to build on IOSCO's 2018 *Report on Retail OTC Leveraged Products*. It tasked the two Committees with reviewing the trends and developments in "*online marketing and distribution to retail investors (including cross-border aspects)*" and develop a toolkit of policy and enforcement measures with guidance for IOSCO members to consider in their regulatory and supervisory frameworks. The consultation report was published in January 2022 and the final report was launched in October 2022.

IOSCO consults on recent retail investor trends and related conduct implications

Increased retail participation in securities markets could mean retail investors increasingly influence market trends and pricing, with corresponding regulatory implications for retail market conduct. Increased retail participation carries with it the threat of misconduct. Misconduct in capital markets has far-reaching consequences for financial consumers, investors, national economies and the overall global financial system.

The consultation report, published in January 2022, provides a clear picture of the evolving global retail investor trends and their implications for market

conduct. Among other issues, it examines the reasons for and regulatory and market implications of increasing gamification, self-directed trading and the influence of social media on retail investor behavior.

In October, IOSCO published the final report on *Retail Distribution and Digitalisation*, which aims 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 digitalization and online activities.

Impact of COVID-19 on investor behavior and investor education

The Board approved the project specification for this work at its meeting in July 2021. The main objective of this project was to help IOSCO members better understand retail investor trends, vulnerabilities and behavior during periods of crisis and enable them to carry out better investor protection and educational measures, including fraud prevention. A report was published in November 2022, complete with case studies and sound applied practices for investor

protection and education. The main participants in this work were the Retail Market Conduct Task Force (RMCTF) and Committee 8 on Retail Investors.

Development of retail investor education tools in the context of sustainable finance markets and products

This report, published in August 2022 and prepared by Committee 8 on Retail Investors, highlighted recent developments in investor education on sustainable finance, with a view to enhancing investor protection and supporting the sound development of this growing financial market. It also indicated that securities regulators increasingly focus on whether sustainable finance claims are accurate and if investors can evaluate sustainable finance products. To make informed decisions, retail investors need to understand the characteristics of such products.

Financial education can also instil investors with the confidence they need to participate in innovative financial markets, such as sustainable finance, on an informed basis. The report identifies some of the main challenges and sound practices for providing investor education on sustainable finance for retail investors.



IOSCO Risk and Research

The Research Function was established in 2010 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. The IOSCO Strategic Direction 2015-2020 expanded the scope of this mission to go beyond financial stability to include IOSCO's two other core objectives: investor protection and fair, efficient and transparent markets.

The Research Function encompasses the Emerging Regulatory Issues Department (ERI).

The identification of global risks in capital markets

comienza el parágrafo con In 2022, ERI supported the IOSCO Board in its identification, assessment and prioritization of risks, trends and vulnerabilities in global capital markets. It coordinates the Secretariat's input to the work of the IOSCO Committee on Emerging Risks (CER) and leads IOSCO's contribution to the Financial Stability Board's (FSB) key risk identification and risk assessment mechanisms.

ERI worked closely with the CER to help shape Board priorities through the preparation of the Risk Outlook. It worked to ensure that the risks, trends and vulnerabilities identified in the document are developed into tangible ideas for the IOSCO Board to consider in setting its forward-looking policy agenda. The CER delivered the 2023 Risk Outlook to the Board in November 2022. The priorities the report identified laid the foundation for the 2023 - 2024 IOSCO Work Program.

Non-bank financial intermediation and financial stability

ERI also supported IOSCO's asset management and broader non-bank financial intermediation (NBFI) agenda. ERI coordinated the Secretariat's input to the work of the Committee on Investment Management (C5), the Board's Financial Stability Engagement Group (FSEG) and manages the operational interface with the FSB in connection with FSEG's involvement and contribution to the FSB Non-Bank Financial Intermediation workplan. In doing so, ERI supported IOSCO's representatives on the FSB Steering Committee's group on NBFI (SCN).

The Board agreed to establish the FSEG at its meeting in October 2019 to facilitate IOSCO's objective of reducing systemic risk. Following the onset of the March 2020 market turmoil, FSEG pivoted its focus towards leading IOSCO's crisis response agenda. FSEG

initially contributed to the FSB SCAV's (Standing Committee On Assessment of Vulnerabilities) ongoing assessment of COVID-19 induced vulnerabilities by providing the securities markets regulators' perspective on the impact of the crisis in several key areas.

With regard to financial stability issues, the main focus of IOSCO's interaction with the FSB in 2021 through 2022 focused on continuing the work identified in the FSB's NBFI workplan. In particular, ERI supported the FSEG in IOSCO's contribution to the FSB's policy proposals to enhance money market fund resilience, published in October 2021. Following that, work focused on the joint FSB/IOSCO work on the Assessment of the Effectiveness of the FSB's 2017 Recommendations on Liquidity Mismatch in Open-Ended Funds, published in December 2022.

ERI also supported IOSCO's FSEG's work assessing corporate bond market liquidity. Under a first phase of work, the FSEG undertook a data driven diagnostic of bond market liquidity during the COVID-19 market stress. This also helped inform the work on OEFs. Following the completion of the first phase of work, the FSEG took a closer look at market participant behaviors and market structure of corporate bond markets and published its findings in April 2022 in the form of a discussion paper, *Corporate Bond Markets – Drivers of Liquidity*.

Fintech

ERI also supported IOSCO's Fintech and innovation agenda through IOSCO's Fintech Tech Task Force. The IOSCO Board agreed to the establishment of a Board-level Fintech Task Force (FTF) at its meeting on 9 March 2022. The FTF is tasked with developing, overseeing, delivering, and implementing IOSCO's regulatory agenda with respect to Fintech and crypto-assets. Specifically, ERI supported the FTF's two active workstreams, the first, covering Crypto and Digital Assets (CDA), while the second covers Decentralised Finance (DeFi). Both workstreams will primarily focus on analyzing and responding to market integrity and investor protection concerns within the cryptoasset space.





Inter-Agency Work

IOSCO work with the Bank for International Settlements

BCBS-IOSCO Working Group on Margin Requirements

In 2011, the G20 Leaders called upon the Basel Committee on Banking Supervision (BCBS) and IOSCO to develop consistent global standards for margin requirements for non-centrally cleared derivatives, as part of the global financial reform agenda. In response, the BCBS and IOSCO released in September 2013 the final framework for margin requirements for non-centrally cleared derivatives. Under the globally agreed

standards, financial firms and systemically important non-financial entities that engage in non-centrally cleared derivatives would be required to exchange initial and variation margin commensurate with the counterparty risks arising from such transactions. The framework was designed to reduce systemic risks related to OTC derivatives markets and to provide firms with appropriate incentives for central clearing and managing the overall liquidity impact of the requirements.

In February 2014, the BCBS and IOSCO approved the creation of a monitoring group - the Working Group on Margin Requirements (WGMR) - to evaluate margin requirements and determine whether elements of the

margin standards should be reconsidered. Recognizing the complexity and impediments in implementing the framework, the BCBS and IOSCO agreed in March 2015 to:

- > delay the implementation of requirements to exchange both initial margin and variation margin by nine months; and
- > adopt a phase-in arrangement for the requirement to exchange variation margin.

The BCBS and IOSCO also asked the WGMR to continue monitoring progress in implementation to ensure its consistency across products, jurisdictions and market participants. At the end of 2015 and again, in early 2017, the WGMR submitted a progress report on implementation based on its monitoring work during 2015 and 2016. The WGMR continued monitoring the global standards in the following years. Based on the WGMR monitoring, in March 2019, IOSCO and the BCBS provided some guidance to support the timely and smooth implementation of the framework and to clarify its requirements. In addition, in July 2019, the BCBS and IOSCO revised the margin requirements framework to extend by one year the final implementation phases of the margin requirements.

Finally, in April 2020, due to the significant challenges posed by Covid-19, IOSCO and the BCBS agreed to extend the deadline for completing the final two implementation phases of the BCBS-IOSCO framework for margin requirements for non-centrally cleared derivatives by one year. This extension was aimed at providing additional operational capacity for firms to respond to the immediate impact of Covid-19 and, at the same time, facilitate covered entities to act diligently to comply with the requirements by the revised deadline. With this extension, the final implementation phase took place on 1 September 2022, at which point covered entities with an aggregate average notional amount (AANA) of non-centrally cleared derivatives greater than €8 billion were subject to the requirements. As an intermediate step, from 1 September 2021 covered entities with an AANA of non-centrally cleared derivatives greater than €50 billion were subject to the requirements.

IOSCO work with the Committee on Payments and Market Infrastructures (CPMI)

CPMI and IOSCO work together to enhance the coordination of standard and policy development and implementation related to clearing, settlement and reporting arrangements, covering financial market infrastructures (FMIs) worldwide. FMIs, which include systemically important payment systems (PSs), central

counterparties (CCPs), trade repositories (TRs), central securities depositories (CSDs), and securities settlement systems (SSSs), play an essential role in the global financial system. The disorderly failure of an FMI could lead to severe systemic disruption if it caused markets to cease to operate effectively.

Policy work on CCP risk

In July 2022, CPMI and IOSCO published the report *Application of the Principles for Financial Market Infrastructures to stablecoin arrangements*, building on the October 2021 proposals for consultation. The report reconfirms that if a stablecoin arrangement performs a transfer function and is determined by authorities to be systemically important, the stablecoin arrangement as a whole would be expected to observe all relevant principles of the Principles for Financial Market Infrastructures (PFMI). It also contains guidance to facilitate observance of the Principles for Financial Market Infrastructures by stablecoin arrangements.

In August 2022, CPMI-IOSCO issued the consultative report *A discussion paper on central counterparty practices to address non-default losses*. This discussion paper outlines current practices at various CCPs to address NDLs in business as usual (BAU), recovery and orderly wind-down scenarios. It seeks to advance industry efforts and foster dialogue on the key concepts and processes used by CCPs.

In September 2022, CPMI-IOSCO issued the report *Client clearing: access and portability*, building on its consultative report *A discussion paper on client clearing: access and portability*. The report focuses on access to CCP clearing and portability of client positions. In particular, it considers the potential benefits and challenges of new models to access CCP clearing – which allow clients to directly access CCP services, and client position portability. It also encourages industry to engage in further work to enhance transparency and disclosure regarding new access models and facilitate porting.

In 2022, CPMI-IOSCO continued working with industry to progress some issues related to CCP default management auctions, as agreed in June 2020 when the report *A discussion paper on CCP default management auctions* was published.

Other CPMI-IOSCO Work

Implementation Monitoring of the PFMI

During 2022, the CPMI-IOSCO Implementation Monitoring Standing Group (IMSG) continued the process of

monitoring implementation of the Principles for financial market infrastructures (PFMI). Consistent with the G20's expectations, CPMI and IOSCO members have committed to adopting the 24 principles (the Principles) and the five responsibilities for authorities (the Responsibilities) included in the PFMI. Full, timely and consistent implementation of the PFMI is fundamental to ensuring the safety and soundness of key FMIs and to supporting the resilience of the global financial system. In addition, the PFMI are an essential part of the G20's mandate stipulating that all standardized OTC derivatives should be centrally cleared, and all OTC derivative contracts reported to trade repositories.

The IMSG implementation monitoring program includes 28 participating jurisdictions from a diversity of regions and from both developed and emerging market

economies.⁸ The PFMI implementation monitoring work is conducted at three levels, as explained below:

Level 1 assessments are based on self-assessments by individual jurisdictions on their progress in adopting the legislation, regulations and other policies (together referred to as *implementation measures*) that will enable them to implement the PFMI. Following the initial Level 1 assessment report, published in August 2013, the IMSG has conducted several annual updates.

The ninth update was released on 5 April 2022 (with information as of January 2022). Based on the information provided by the authorities and the analysis made by the IMSG, no changes in jurisdictional ratings were made in relation to the ratings of 2021, and therefore the ratings as of January 2022 are as follows:

Summary of updates between the January 2021 update and the 2020 update*

Jurisdiction	Principles				Responsibilities			
	PSs	CSDs & SSSs	CCPs	TRs	PSs	CSDs & SSSs	CCPs	TRs
Argentina	4	3 / 4	3	4	4	4	4	4
Chile	4	4	4	4	4	4	4	4
US	4	4	4	1 / 4	4	4	4	4

Legend: [y]: Ratings in the previous (2020) update x: Ratings modified in this (2021) update

* When FMIs within an FMI type are under different authorities' jurisdictions and the implementation status varies depending on the jurisdiction, a split rating is assigned.

Following the release of the Fifth update in July 2018, the IMSG discontinued publication of Level 1 reports and moved to a Level 1 online tracker (introduced on 14 March 2019) which is available on the IOSCO and the CPMI websites. The Level 1 online tracker presents:

- > a general description of the Level 1 rating methodology;
- > a tracker on the self-reported responses for the Principles (since 2013 up to the current year);
- > a table summarizing the jurisdictions' self-reported responses for the Principles and a table summarizing the jurisdictions' self-reported responses for four of the Responsibilities;
- > world maps showing, with different colors, the progress made by jurisdictions.

In 2022, the last Level 1 information was be conducted in December 2022-January 2023.

Level 2 assessments. In parallel with the Level 1 assessments, CPMI-IOSCO conducts Level 2

assessments. These are peer reviews that seek to determine the extent to which the content of the jurisdiction's implementation measures, as reported at Level 1, is complete and consistent with the PFMI. These Level 2 assessments allow the IMSG to identify gaps or shortcomings in the implementation measures against the respective Principles in the PFMI.

In 2022 the IMSG concluded the L.2 assessment of Turkey (covering all FMI types). The report was published on 6 July 2022.

The IMSG also continued with the L.2 assessments which cover PSs and CSDs/SSSs (the L.2 assessment of CCPs and TRs was published on 26 February 2015). This assessment experienced some delays due to the challenges posed by the COVID-19 global pandemic. Also, based on the reprioritization of the work agreed on by the Steering Group, the Level 2 program was paused, which in practice put on hold the launching of the assessment of the jurisdictions that were still to undergo a Level 2 assessment. (i.e., Argentina,

Chile, China, India, Indonesia, Japan (PS and CSD/SSS), Korea, Mexico, Saudi Arabia, South Africa, and Russia).

Level 3 assessments are peer reviews to examine the consistency in the outcomes arising from the implementation of the Principles, noting any variation in outcomes across FMIs in various jurisdictions. They are thematic in nature. The output from the Level 3 assessments are narrative-based reports.

In December 2020, the IMSG launched a Level 3 assessment on Cyber Resilience. This assessment is focused on Principles 2 (governance), 3 (management of risks), and 17 (operational risk) and informed by the Guidance on cyber resilience for financial market infrastructures (Cyber Guidance), in particular in the areas of governance, learning/evolving, and testing. 37 FMIs from 29 jurisdictions participated in the assessment in 2021, covering all FMI types (systemically important Payment Systems (PSs), Central Counterparties (CCPs), Central Securities Depositories CSDs / Securities Settlement Systems (SSSs), and Trade Repositories (TRs)) The internal (non-public report) was approved by the Steering Group on 23 May 2022 and a sanitized version of the report was published on 29 November 2022.

The key findings of the L3 assessment report on FMIs' Cyber Resilience are as follows:

Serious issue of concern

1. A significant majority of FMIs have the necessary plans in place (cyber response and recovery plans) to meet the 2hRTO for the safe and timely resumption of critical operations. Such plans are incorporated within their business continuity plans, disaster recovery plans, incident response plans and/or crisis management plans to meet 2hRTO for cyber-attack scenarios. However, a small number of FMIs had not yet developed their cyber response and recovery plans to meet in line with Principle 17 KC 6. Within this small number, there were FMIs that did not have plans to address scenarios, which resulted in an inability to meet their recovery time objectives. This finding casts doubt over the level of cyber resilience and preparedness of these FMIs and is flagged as a serious issue of concern that should be addressed with the highest priority.

Issues of concern

1. In addition to the small number of FMIs for which the serious issue of concern is relevant, another

small number of FMIs which had established their cyber response and recovery plans to meet the 2hRTO recognized that their plans were not able to meet the 2hRTO under extreme cyber attack scenarios. This is a gap or shortcoming in FMIs' implementation outcomes relevant to Principle 17 KC 6, which should be addressed.

2. A number of FMIs are not conducting cyber resilience testing after a significant change in their systems. For example, a significant majority of FMIs indicated that they do not test the integrity of backup data, some do not perform vulnerability assessments and most do not perform penetration testing after a significant change has occurred. This is a gap or shortcoming in FMIs' implementation outcomes relevant to Principle 17 KC 2, which should be addressed.
3. Multiple FMIs may not be conducting comprehensive scenario-based testing, which calls into question whether these FMIs have adequately validated their ability to recover and resume operations following a cyber disruption. For example, some FMIs indicated that they are not testing governance arrangements in scenario-based testing exercises. This is a gap or shortcoming in FMIs' implementation outcomes relative to Principle 17 KC 6, which should be addressed.
4. Some FMIs did not include FMI participants, and most did not include critical service providers and linked FMIs in the testing of their response, resumption and recovery plans and processes with respect to cyber incidents. This calls into question FMIs' ability to meet Principle 17 KC 7 with regard to identifying, monitoring and managing risks from external parties. This may also affect whether an FMI is able to demonstrate its ability to recover and resume operations following a cyber incident as foreseen in Principle 17 KC.
5. These are issues of concern that should be addressed.

Other points of note

The IMSG produced a Level 2 Handbook in September 2019, which is designed to facilitate a consistent approach to conducting Level 2 assessments in a way that is sufficiently general to accommodate differences in institutional factors and implementation measures across jurisdictions. It is also intended to be flexible in incorporating lessons learned and evolving practices from past and future jurisdictional assessments, which may result in future revisions or elaborations to the handbook.

The IMSG also produced a Level 2 database (available on the CPMI and IOSCO websites since May 2019). It is a repository of all assessments completed to date. The database contains relevant implementation measures, ratings, gaps and recommendations. It complements the assessment reports. This database will be updated as new Level 2 assessments are completed.

The Level 2 PFMI implementation database facilitates:

- > searching the information by jurisdiction, by FMI type, by Principle or Key Consideration, by Rating at Principle level;
- > comparing such information across jurisdictions, across FMI types, and across Principles.
- > Understanding the use of the database through a tutorial video on how to use the Level 2 PFMI implementation database.

Finally, since January 2019, the IOSCO website has a dedicated CPMI-IOSCO page with updated information on the PFMI implementation monitoring work.

CPMI - IOSCO Working Group on Cyber Resilience (WGCR)

The CPMI-IOSCO Working Group on Cyber Resilience (WGCR) was established in 2014 and explores ways to help both authorities (regulators, overseers) and FMIs to enhance cyber resilience. The WGCR encourages information sharing among FMI regulators and promotes swift adoption of the *WGCR Guidance on cyber resilience for financial market infrastructures* (Cyber Guidance), published in June 2016.

The Cyber Guidance was issued to add momentum and international consistency to the industry's ongoing efforts to enhance FMIs' ability to pre-empt cyber-attacks, respond rapidly and effectively to them and achieve faster and safer target recovery objectives. This guidance represents the first set of internationally agreed principles in financial markets to support oversight and supervision of cyber resilience.

Recently, the focus of the WGCR has shifted from policy development to promoting progress (e.g., by engaging with industry to advance the cyber resilience of FMIs), coordinating with other relevant international cyber groups or standard-setting bodies and collaborating with the IMSG to monitor the implementation by FMIs of the PFMI regarding cyber resilience.

Guidance on Stablecoins

In July 2022, CPMI and IOSCO issued final guidance on stablecoin arrangements, confirming that the

Principles for Financial Market Infrastructures apply to systemically important stablecoin arrangements.

The guidance was a major step forward in applying *same risk, same regulation* to stablecoins and extending the international standards for payment, clearing and settlement systems to cover systemically important stablecoin arrangements.

BCBS-CPMI-IOSCO – Work on margin practices

The BCBS, CPMI and IOSCO established an ad hoc group, the Joint Steering Group on Margins (JSGM) - as part of the Financial Stability Board's (FSB's) work program on non-bank financial intermediation (NBFI) -, to examine the margin calls in March and April 2020, margin practice transparency, predictability and volatility across various jurisdictions and markets, as well as market participants' liquidity management preparedness.to meet margin calls. In September 2022, the JSGM published the report *Review of margining practices*, building on the consultative report published in October 2021. The report presents a data-driven analysis of margin calls in March and April 2020 and finds that there was a broad and rapid increase in margin calls across the financial system in March 2020, with an overall increase in centrally cleared initial margin, while non-centrally cleared initial margin remained relatively stable.

The report also identified six potential areas for further policy work.

Joint work by BCBS, CPMI, FSB and IOSCO

In March 2022, the FSB, CPMI and IOSCO published a report analyzing existing financial resources and tools for CCP recovery and resolution.

The first part of the analysis assessed the current use, composition and amount of financial resources and tools available to cover CCP losses in a sample of CCPs that are considered systemically important in more than one jurisdiction. For default losses, all the CCP service lines were able to absorb all losses. To do so, about half of the 15 CCP service lines had to use recovery tools, but none needed resolution. For non-default losses, a cyber theft scenario was considered. Resolution authorities would have needed to trigger resolution for the majority of CCPs to generate sufficient resources to cover the loss. In another non-default scenario, liquid resources and liquidity arrangements of one CCP were not sufficient.

A second part of the analysis assessed the potential financial stability implications from the use of the

financial resources and tools covered by the existing CPMI-IOSCO guidance on recovery of financial market infrastructures and FSB guidance on CCP resolution.

The analysis was subject to a number of limitations and assumptions that suggest the results should be interpreted cautiously. In particular, the system-wide, aggregate effects could not be considered due to data availability and confidentiality constraints.

On the basis of the report, the FSB agreed to conduct further work on CCP financial resources for resolution.

Financial Stability Board - Working Group on Cyber Incident Reporting (CIR)

IOSCO is a member of the FSB working group on Cyber Incident Reporting (CIR) established in December 2020. The group is working on cyber incident reporting and, in particular, reducing fragmentation in cyber incident reporting by: (i) building a common understanding of and monitoring the cyber incidents affecting financial institutions, (ii) supporting the efficient supervision of cyber risks at financial institutions; and (iii) facilitating the coordination and sharing of information relating to cyber incidents among authorities. It is also updating the November 2018 FSB Cyber Lexicon. To that end, a survey was prepared and sent out in March 2021 and a final report was published and delivered to the October 2021 meeting of Finance Ministers and Central Bank Governors (FMCBG). This publication explored whether greater convergence in the reporting of cyber incidents could be achieved in light of increasing financial stability concerns. It was agreed that this work should be further developed to facilitate the greater harmonization of regulatory reporting of cyber. To meet this call, the FSB conducted work to promote greater convergence in CIR in three ways: (i) setting out recommendations to address the issues identified as impediments to achieving greater harmonization in incident reporting; (ii) enhancing the Cyber Lexicon to include additional terms related to CIR as a *common language*, which is necessary for increased convergence; and (iii) identifying common types of information that are submitted by FIs to authorities for CIR purposes, under which a concept for a common format for incident reporting exchange (FIRE) to collect incident information from FIs and use between themselves.

The final report sets out 16 recommendations to promote convergence among CIR frameworks, while recognizing that a one-size-fits-all approach is not feasible. Financial authorities and FIs can choose to adopt these recommendations as appropriate.

The report was published and delivered to the April G20 FMCBG meeting. The FSB will then set out the way forward for developing a format for incident reporting exchange (FIRE) to promote common information elements and requirements for incident reporting.

IOSCO Work with the Financial Stability Board

The Financial Stability Board (FSB) is an international body that monitors and makes recommendations about the global financial system. The FSB's prime objective is to promote international financial stability, particularly by coordinating efforts of national financial authorities and international standard-setting bodies.

To improve its engagement with the FSB and enhance its financial stability work, in 2020, IOSCO established a Board-level Financial Stability Engagement Group (FSEG). This group has improved the coordination with the FSB, enabling IOSCO to engage more proactively on financial stability issues from a capital markets perspective. Moreover, its formation proved particularly timely given that the subsequent COVID-19 pandemic has given rise to financial stability risks.

The FSB also formed a Steering Committee on Non-bank Financial Intermediation (SCN) to provide strategic direction on NBFI-related initiatives and ensure more effective coordination with standard-setting bodies such as IOSCO. The group brings together market regulators, macroprudential authorities and international organizations. IOSCO encouraged the development of this group, which has helped cement senior level collaboration between IOSCO and the FSB. The FSB's governance comprises a Plenary and a Steering committee as the decision-making bodies under which there are three standing committees:

- > The Standing Committee on Assessment of Vulnerabilities (SCAV);
- > The Standing Committee on Supervisory and Regulatory Cooperation (SRC);
- > The Standing Committee on Standards Implementation (SCSI).

IOSCO is an active member of all these committees and is represented in the FSB discussions by the IOSCO Chair, Vice-Chair, Secretary General and Deputy Secretary General. Since 2020, IOSCO has been actively engaging in the work of the FSB and has had a greater influence in its collaborative work with the FSB standing committees and, in particular, through the FSEG in IOSCO and the SCN in the FSB.

Board-level Financial Stability Engagement Group (FSEG).

The timely creation of FSEG enabled IOSCO to play an important role in the international authorities and standard setting boards' initial response to the COVID-19 induced market turmoil and highlighted the benefits of a cooperative approach to addressing financial stability risks. (See FSEG in chapter on Task Forces)

Ongoing FSB Work

In 2022, FSB work focused on key issues for IOSCO and its Board, in particular: financial benchmarks reform, asset management, crypto assets and stablecoins cyber security and third-party relationships. Some of the more important FSB working groups that IOSCO participated in during 2021-2022 included:

- > **Cyber risk:** Cyber incidents pose a threat to the stability of the global financial system, and the remote working environments during the pandemic heightened the need for attention. To address these risks IOSCO participated in the FSB working Group on Cyber Incident Response and Recovery (CIRR), which risks, published a report in 2021.
- > **Third-Party Relationships,** the Workstream on Third-Party Risk (TPRWS) worked on a consultative report to be sent to the July G20 meeting in 2023 covering: (i) a toolkit for financial authorities' oversight of financial institutions' reliance on service providers that authorities or financial institutions deem critical; as well as (ii) common terminologies and definitions on third-party risk management and outsourcing.
- > **Crypto Assets:** In 2022 IOSCO continued to participate in the crypto-asset work and in particular on the FSB Regulatory Issues on Stablecoins Group with the aim of providing a capital markets perspective to FSB work.
- > **Implementation:** IOSCO engaged with the FSB Standing Committee on Standards Implementation (SCSI), which covers implementation monitoring activities of G20 and FSB recommendations.





Report from the Chair of the Africa/Middle-East Regional Committee (AMERC)

Mrs. Nezha Hayat

- > Chair of the Africa/Middle-East Regional Committee
- > Chairperson and CEO of Autorité Marocaine du Marché des Capitaux (AMMC), Morocco

The Africa / Middle-East Regional Committee plays a key role in IOSCO, by bringing the regional perspective of its members into the overall discussions of the Organization.

AMERC has contributed to the global discussions, providing a regional approach, on topics such as Sustainable Finance, Fintech, the identification of market fragmentation-related issues, as well as identifying emerging risks that merit prioritization by IOSCO.

2022 was a critical year for the Africa/Middle-East Regional Committee for many reasons, including the fact that AMERC held its first in-person meeting after two years of global pandemic, but also because the leadership of the Regional Committee was renewed for the period 2022-2024. In this context, AMERC members were able to continue cooperating and exchanging experiences on topics that are relevant for the sound development of the region. Thus, I want to express my gratitude to the members of our Regional Committee for their commitment and their hard work during these challenging global conditions.

AMERC work on Sustainable Finance

During 2022, AMERC undertook fruitful discussions and exchange of experiences in the area of Sustainable Finance, mainly at three levels.

First, AMERC kept a close dialogue with the IOSCO Sustainable Finance Task Force (STF), which coordinates IOSCO's strategy on the subject. Indeed, the then Chair of the STF, Erik Thedéen, was invited to address AMERC members and share information on the different pieces of work conducted by the STF, for instance, in relation to corporate reporting, assurance, promoting good practices, carbon markets and the expected process of endorsement



of standards being developed by the International Sustainability Standards Board (ISSB), as well as capacity building initiatives on sustainable finance.

Secondly, AMERC also held discussions with the FSD Africa, which is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa, with a view to explore potential collaboration in sustainable finance in the AMERC region.

Third, AMERC set up a Sustainable Finance Working Group, chaired by AMMC Morocco, who has been exploring potential ways to conduct a mapping exercise on sustainability-related issuer disclosures in the AMERC region. The work would be aimed at understanding the level of preparedness of AMERC members to adopt the prospective ISSB standards, as well as identify current practices, opportunities and challenges for enhancing sustainability-related issuer disclosures in the region.

In addition to the above, the AMERC region also hosted some relevant capacity building events on sustainable finance. Indeed, IOSCO and the ISSB conducted a capacity building program, hosted by FRA Egypt, which was aimed at assisting regulators in their considerations of how to adopt and implement the global ISSB baseline in their jurisdictions. This was an important milestone to ensure emerging market jurisdictions gain familiarity with the new standards and discuss challenges and solutions for their adoption and implementation.

AMERC work on Fintech

Fintech is a relevant topic for capital markets, both developed and emerging markets. In this context, during 2022 AMERC members discussed and concurred with the view that the financial technology business in the capital market is increasingly important and regulators in the AMERC region are facing challenges in adapting their supervisory approaches to ensure investor protection and preserve the orderly functioning of the market. AMERC members also exchanged views on how to strike a balance between enabling innovation and regulating innovation to protect investors.

In view of the above, AMERC set up a Working Group on Fintech with the purpose of facilitating the sharing of information and experiences among its members. The Working Group is also seeks to build a better understanding of Fintech and the regulatory implications and lessons learned. This discussion could help members understand the frameworks of other jurisdictions, share knowledge and experiences, and foster potential collaborations.

Market fragmentation

AMERC contributed to the global exercise conducted by IOSCO, through the Follow-Up Group (FUG) to the Cross-Border Regulation Task Force, which intends to identify emerging market fragmentation issues, both globally and regionally.

In this regard, AMERC met with the IOSCO Affiliate Members Consultative Committee in June 2022 to discuss market fragmentation-related issues. The AMCC and AMERC concurred on some topics and, based on this and other discussions, held by AMERC members, the Regional Committee finally identified Sustainable Finance and Fintech as two market fragmentation issues that require global attention, with due regard to regional considerations.

AMERC's contribution to the identification of IOSCO's priorities

In 2022, AMERC also contributed to the global exercise conducted by IOSCO to identify relevant risks ("Risk Outlook process") that, in turn, would help the Board to identify the priorities of the Organization for 2023.

During this exercise, AMERC first identified five risks, and as a second step AMERC refined the analysis of the risks, which were finally described through three issues notes covering the following risks: cyber risk, cyber-attacks on financial market infrastructures, and risks associated with crypto assets.

It is worth mentioning that all the three risks identified by AMERC were recognized and included among the four priority themes identified by the Committee on Emerging Risks (CER).

Concluding remarks

2022 has been a productive year for AMERC. Our Regional Committee should continue promoting the exchange of experiences among its members, as well as providing the regional perspective into the IOSCO's global discussion. .

In this regard, one of the potential opportunities for AMERC in the coming years would be to enhance cross-border supervisory cooperation in the region. Considering that many of the topics being discussed by AMERC are of a cross-border nature, the expectation would be to strengthen cross-border cooperation among AMERC members and, if possible, with members of other Regional Committees, to complement supervisory cooperation at a global level.



Report from the Chair of the Asia-Pacific Regional Committee (APRC)

Mr. Shigeru Ariizumi

> Vice Chair, the IOSCO Board
> Chair of the Asia-Pacific Regional Committee
> Vice Minister for International Affairs,
Financial Services Agency, Japan

The Asia-Pacific Regional Committee serves as a forum for sharing information and promoting cooperation among securities market regulators in the Asia-Pacific region. The committee also provides a platform for APRC regulators to engage with their counterparts in other regions on cross-border issues and exchange views with the IOSCO leadership on work priorities.

In the year 2022, the APRC brought a regional perspective to global emerging trends and emerging potential risks in addition to its well-established cooperative support of previous years. The APRC held several meetings in 2022 in which its members discussed themes of interest to members across all of IOSCO, including at the regional level.

The IOSCO Secretary General and Chairs of relevant IOSCO workstreams -- Sustainable Finance Task Force (STF), Fintech Task Force (FTF) etc.– updated APRC meetings on market fragmentation risks and other significant issues.

Sustainable Finance

In 2022, IOSCO made a remarkable effort at impacting markets through its work on sustainable finance. The IOSCO Board highlighted the necessity of mitigating greenwashing and ensuring issuers produced reliable data. The other relevant focus was IOSCO's timely and thorough review of the IFRS International Sustainability Standards Board (ISSB) proposed climate and general sustainability disclosure requirements, as well as the final standards when they were produced.

Sustainability was a standing agenda item at APRC meetings in 2022. The Chair of the APRC Sustainable Finance Working Group, led by the Securities and Futures Commission of Hong Kong, shared the valuable findings of the survey on APRC members' approach to

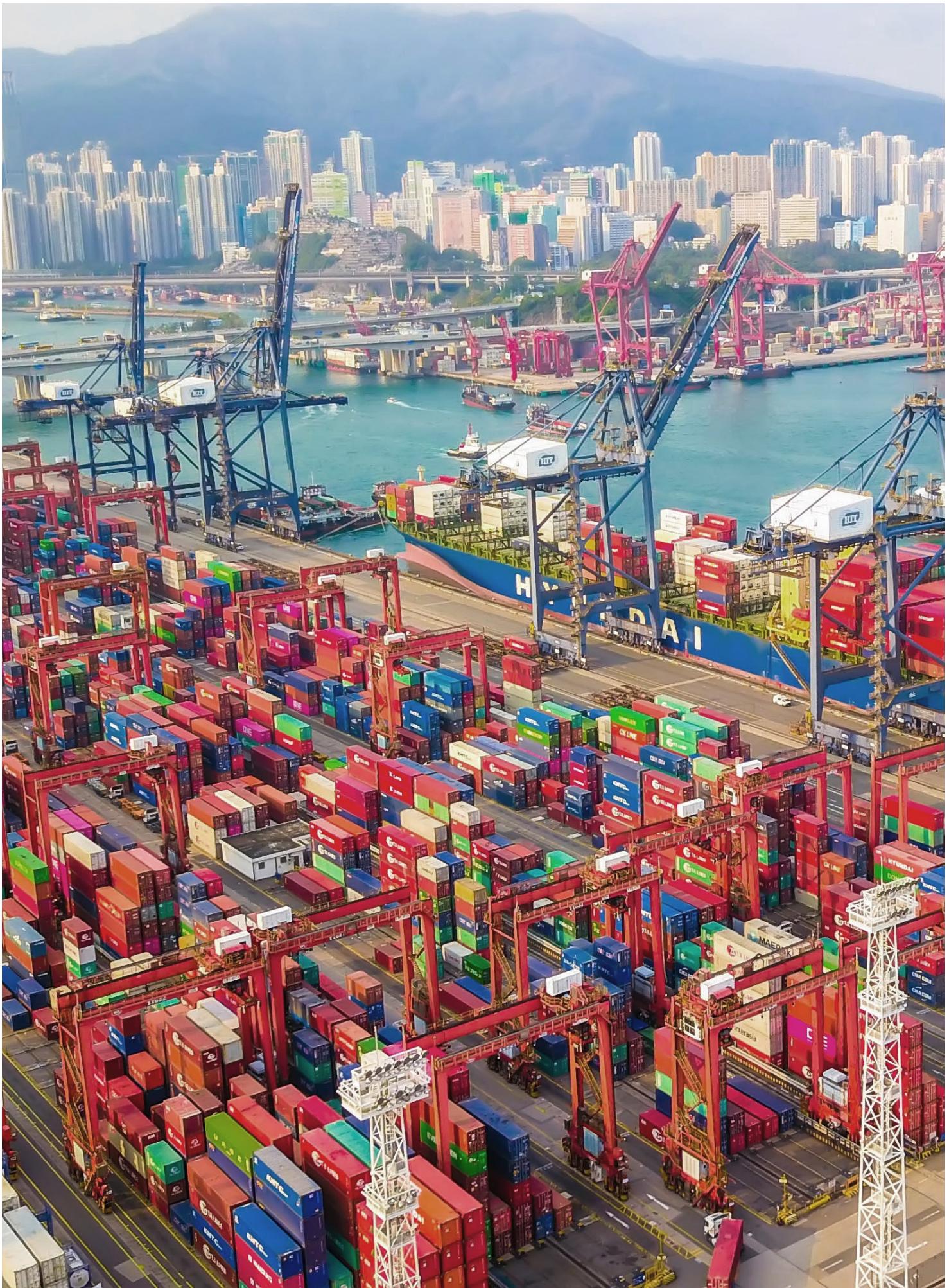
ESG and/ or climate-related issues distributed among APRC members in 2021. Furthermore, during a regular meeting with the Asia Securities Industry and Financial Market Association (ASIFMA) in February 2022, the members of the APRC exchanged information on market developments, regulatory proposals in their jurisdictions and the importance of sustainability-related disclosure rules.

Digital Finance

Fintech, Crypto and Digital Assets, Decentralized Finance (DeFi) and, most importantly, investor protection were other compelling issues in 2022. At the 17 October 2022 meeting, Tuang Lee Lim, Chair of the FTF, provided an update on the FTF work. One of the most important highlights of the year 2022 was the Board discussion and approval of the FTF's work plan and its Crypto Asset Roadmap for 2022-23.

The roadmap has two policy-focused workstreams: the first, covering Crypto and Digital Assets, and the second on DeFi. Both workstreams primarily focus on analyzing and responding to market integrity and investor protection concerns within the crypto-asset markets and aim for final policy recommendations by the fourth quarter of 2023.

APRC members were able to exchange information during APRC meetings on their experience and regulatory actions regarding crypto asset-related issues.



The APRC Fintech Working Group (Japan FSA) worked on the preparations of the draft terms of reference and a draft survey for gathering information from members on the regulatory and supervisory framework for crypto asset and service providers and on the numerous incidents and their impact on individual investors who participate in the crypto market.

Market fragmentations and strengthening cooperation: The APRC contributed a significant note to the IOSCO Board to help address market fragmentation. The note focused on market fragmentation issues in the Asia Pacific region, including issues related to sustainable finance, cross-border data, operational resilience, and crypto-assets and retail investor issues.

To enhance cooperation and the understanding of risk within the region, ASIFMA (Asia Securities Industry & Financial Markets Association) invited IOSCO to present in February 2022 on current Risk Perspectives in the APRC region. ASIFMA and its Members shared their opinions on market fragmentation and emerging risks, including those related to sustainable finance, cross-

border data, operational resilience and cyber security. The presentations were followed by contributions and comments from APRC members.

APRC held an EU-Asia Pacific Forum virtually in March 2022. Members of the APRC and representatives of the European Commission and European Securities and Markets Authority discussed issues of common interest, such as Sustainable Finance, Digital Finance and market fragmentation. The Forum provided an excellent opportunity for regulators and supervisors from both regions to enhance cross-border cooperation.

The other outstanding initiative was the establishment of a dedicated working group on enhancing supervisory cooperation (the Enhancing Supervisory Cooperation Working Group). Created by APRC members in 2019, this group has been working intensively on developing a regional supervisory MMoU to strengthen cross-border supervisory cooperation within the region. APRC members finalized and approved the text of the supervisory MMoU on 11 July 2022.



A signing ceremony for the Supervisory MMoU was held during the APRC meeting in Marrakech on 17 October 2022. Twelve regulators (in alphabetical order: Australia ASIC, Bangladesh SEC, Chinese Taipei FSC, Hong Kong SFC, Japan FSA, Japan MAFF, Japan METI, Malaysia SC, Mongolia FRC, New Zealand FMA, Singapore MAS, and Thailand SEC) in the Asia-Pacific region became signatories to the APRC Supervisory MMoU. Eligible members are invited to apply to become signatories.

Another regional cooperation activity highlighted the fundraising activities of APRC member jurisdictions aimed at tackling the impact of COVID-19 in the Asia Pacific region.

In response, the APRC produced a comprehensive note indicating that the equity and bond markets in major APRC jurisdictions experienced a sharp decline in fundraising activities around March-June 2020. Nevertheless, this decline was short term and recovered relatively quickly after March 2020, with no long-term impact.

The region's latest initiatives include the work on funding options for SMEs from both public and private markets and the work on the use of Suptech and Regtech in the region.

At the experts' level, the APRC held the annual meetings of its Supervisory Directors and Enforcement Directors in March 2022. The meetings facilitated dialogue among experts regarding supervisory and enforcement issues in the region from a practical perspective.

Concluding remarks

I would like to congratulate APRC members for their wonderful contributions and the Secretariat for its continuous support. 2022 was a dynamic and beneficial year for both the region and the general IOSCO membership. I am grateful to be able to contribute to the ongoing IOSCO discussions from a regional level with our members. APRC will continue to keep up with its timely exchange of information, hard work and cooperation to provide a regional perspective to the ongoing global discussions on securities market issues.





Report by the Chairman of the European Regional Committee (ERC)

Mr. Jean-Paul Servais

- > Chair of the European Regional Committee
- > Vice Chair of the IOSCO Board
- > Chairman of Belgium's Financial Services and Markets Authority (FSMA)

The European Regional Committee (ERC) serves as a forum for European members to share their views and collaborate on financial developments and regulatory matters that impact the region. As IOSCO's largest regional committee, the ERC and its membership are a key contributor to the organisation's activities and policy-making.

In 2022, Russia's invasion of Ukraine, coupled with the COVID-19 pandemic, increased macro-financial uncertainty characterised by an energy crisis and supply chain distortions, mounting inflation, and rising interest rates. These events underscored the importance of strengthening the resilience of European market players and infrastructure and coordinating efforts to mitigate risks and vulnerabilities in European securities markets in a changing environment of technological advances and climate change.

The ERC held three meetings in 2022: in March, June and its first in-person meeting after the pandemic, in Marrakech in October.

Despite facing new and pressing challenges, ERC members made headway with ongoing priority work on financial stability issues, systemic risk and market integrity as well as investor protection. ERC members fed information into IOSCO work, providing valuable regional insights to the Board and to other IOSCO committees on how to tackle various crises in another challenging year for financial markets.

Similarly, ERC members benefited from IOSCO's efforts to coordinate regulators' global and regional responses to the impact of the war in Europe, to climate change and to market turmoil on investors.

ERC members chaired or co-chaired key IOSCO initiatives, including the Financial Stability Engagement Group (FSEG), the board-level Retail Market Conduct Task Force (RMCTF), the SPACs (special purpose

acquisition companies) Network – which I had the privilege of chairing – and the Sustainable Finance Task Force. The ERC received updates on these IOSCO initiatives from its members who led the work, as well as from the Secretary General and his deputy on Board initiatives regarding these same areas.

ERC members also maintained a regular dialogue on financial market issues in the European Union with the European Securities and Markets Authority (ESMA), an IOSCO associate member and observer of the IOSCO Board. ESMA provided regular updates at ERC meetings on its efforts to coordinate the EU supervisory response to the pandemic and other regulatory developments.

The ERC contributed information to the IOSCO Follow-Up Group (FUG) to the 2015 Cross-Border Regulation Task Force about fostering mutual understanding of



cross-border and market fragmentation issues and how to address them. ERC members also produced issue notes that fed into the risk identification work of the IOSCO Committee on Emerging Risks, thereby supplementing the input from policy committees and providing a regional view of critical regulatory issues.

Based on my suggestions, the ERC created a Repository of Members' responses to the geopolitical crisis, including new measures or statements highlighting the application of, among other things, rules for sanctions and for combating money laundering aimed at encouraging information sharing and assisting members. I invite IOSCO members to upload their statements or initiatives to this repository.

As Chair of the IFRS Monitoring Board, I kept the ERC up to date with the meetings and work of the IFRS Foundation and the creation of the International Sustainability Standards Board in November 2021 and, as Co-chair of the Monitoring Group, on assurance and issues affecting audit standard-setting.

During its meetings, the ERC discussed the latest market developments to be examined at future Board meetings and how best to tackle them. Some of the main issues under discussion included the following:

Financial Stability:

Robert Ophèle, Chair of the AMF France, co-chaired the FSEG until his term at the French regulator ended in late July. The FSEG's remit is to foster financial stability in line with one of the organization's objectives, namely, to reduce systemic risk. The FSEG worked with the Financial Stability Board (FSB) on financial stability

issues as part of their joint work on Non-Bank Financial Intermediation or NBFI. Consequently, the work on financial stability was successful in strengthening IOSCO's important working relationship with the FSB. Two ERC members (AMF France and UK FCA) are now co-chairing the FSEG.

Non-Bank Financial Intermediation

For many regulators, the COVID-19 pandemic highlighted the structural vulnerabilities in non-banks, associated with non-bank leverage and liquidity mismatches in open-ended funds. IOSCO addressed these issues as part of its work with the FSB on NBFI and financial stability, with input from its members. IOSCO, working through the FSEG, published a consultation paper on market liquidity issues affecting corporate bond markets under stress, along with a report on good practices concerning ETFs.

Sustainable Finance

Erik Thedéen, Chair of the Swedish FI, led the IOSCO Sustainable Finance Task Force (STF) for most of 2022. He and the IOSCO team updated the ERC regularly in a year in which climate change risks and sustainable finance moved to the forefront of IOSCO's policy agenda.

Throughout the year, there was growing recognition among members of the value of achieving a global framework of sustainability disclosures developed by the ISSB that builds on existing initiatives and ensures that corporate reporting to investors is consistent and comparable across both developed and developing markets.



Rodrigo Buenaventura, Chair of the Spanish CNMV, succeeded Erik Thedéen as Chair of the IOSCO STF at a crucial time to lead IOSCO's efforts in reviewing the ISSB standards, in terms of both content and governance. Now STF Chair in 2023, Mr. Buenaventura has led IOSCO through the process of evaluating whether the IFRS International Sustainability Standards Board (ISSB) provides a global framework for sustainability-related disclosures, towards an endorsement of IFRS S1 and IFRS S2 in 2023. He will also lead IOSCO through the finalization of its work on carbon markets, which includes making recommendations for the sound functioning of these markets, regarding both compliance and voluntary markets, and advance work on promoting independent assurance of corporate sustainability disclosures.

Retail Market Conduct

Under the leadership of Derville Rowland, Deputy Governor at the Central Bank of Ireland, co-Chair of the IOSCO Retail Market Conduct Task Force (RMCTF) and Vice Chair of the ERC, IOSCO issued a consultation paper in March 2022 on the development of a regulatory toolkit for jurisdictions to consider when addressing emerging retail market conduct issues.

Following its initial work on the retail conduct implications of COVID-19, the RMCTF analyzed retail market conduct issues from a broader perspective, including such developments as the impact of social media on retail trading decisions, emerging digital and crypto trends and gamification.

Pasquale Munafò (CONSOB Italy) chaired IOSCO's policy Committee 8 on Retail Investors, which collaborated closely with the RMCTF on investor protection issues and on the impact of COVID-19 on investor behavior and investor education through surveys, literature reviews and other research.

Safeguarding the interests of retail investors is a core objective for IOSCO and a prerequisite to sustaining retail investors' interest and trust in capital markets. Because these investors account for a growing share of trading volume, the retail market segment is increasingly influencing price formation and market trends. This in turn can make retail investors more vulnerable to misconduct, as fraud patterns are increasingly cross-border with no jurisdictional boundaries.

Special Purpose Acquisition Companies (SPACs)

I have the pleasure of chairing the SPAC Network. Although SPACs have existed for years, their number and activity surged in 2021. Not surprisingly, their rapid growth caught the attention of regulators concerned about retail investment in these vehicles, prompting Committee 8 on retail investment to expand IOSCO's capacity-building program for investors to deal with the investor protection issues that could arise. Members of the SPAC Network exchanged experiences regarding SPACs and discussed the impact on investor protection and fair, orderly and efficient markets.

I am excited by the idea of combining my new responsibilities as IOSCO Board Chair with those of Chair of the ERC to the benefit of the whole membership. IOSCO is a truly global organisation that relies on the dedication and commitment of its members and its various committees. The regional anchorage of IOSCO is the foundation of our global reach; it is the reason why our standards and policy recommendations are so impactful.

To close, I would like to thank ERC members, Secretary General Martin Moloney, the whole Secretariat and my own team at the FSMA for their support in helping to take forward IOSCO's core objectives of protecting investors, maintaining fair, efficient, and transparent markets and addressing systemic risks.





Report by the Chairman of the Inter-American Regional Committee (IARC)

Ms. Lucia Buenrostro, PhD.

- > Chair of the Inter-American Regional Committee
- > Vice-President of Regulatory Policy, National Banking and Securities Commission (CNBV), Mexico

In 2022, we held three IARC meetings in which members discussed the transition from the COVID-19 pandemic and its impact on the region's capital markets. These meetings allowed IARC members to keep track of the IOSCO Board priorities and to share experiences and provide a regional perspective for IOSCO's policy work and risk analysis. This information is particularly valuable to IOSCO as IARC members come from both developed and emerging market jurisdictions.

In July 2022, I was reappointed as the IARC Chair for the period 2022-2024. Ms. Christina Rolle, Executive Director of the Securities Commission of The Bahamas, Bahamas, was also reappointed as IARC Vice Chair, and Mr. José Manuel Peschiera, Chairman of the Superintendence of Securities Markets of Peru, was elected as IARC's Representative to the IOSCO Board.

We conducted one of the meetings in conjunction with the Council of Securities Regulators of the Americas (COSRA), a forum for high-level discussions on regulatory and supervisory issues related to securities markets in the Americas.

I am convinced of the importance of maintaining sound cooperation between IARC and COSRA members, to foster an active sharing of experiences that permit the building of strong supervisory networks. The objective is to ensure the region has adequate information and builds the capacity for implementing international best practices at a solid pace.

After the economic shock of COVID-19, which was aggravated by frictions in the production and distribution chains, new challenges arose. In 2022, the conflict in Ukraine exerted additional pressure on the prices of goods and services, creating greater uncertainty in the financial markets. The overall result

has been an environment of high inflation, high-interest rates and a slowdown in economic activity at a global level. These circumstances impacted the region and were added to the supervisors' agenda as a result.

Our IARC meetings in 2022 had as a central point the fruitful updates from the IOSCO Secretary General and the Deputy Secretary General. As customary, they presented the IOSCO Board's work priorities, including the new mandates and projects for 2022 in view of the COVID-19 evolution. Their presentations highlighted IOSCO's top topics, such as sustainability and work related to crypto-assets and Decentralized Finance (DeFi). Besides, the IOSCO Head of Enforcement & Cooperation gave a session to IARC members on international cooperation and presented the key elements of the MMoU and the Enhanced MMoU, as well as the benefits they provide for the integrity and efficiency of financial markets. The information provided by the IOSCO General Secretariat is important for IARC as members can consider it when taking decisions regarding their regulatory agendas and supervisory efforts.

During IARC meetings, the Sustainable Task Force (STF) leadership presented to the members its work plan for 2022 and the perspective it has regarding the International Sustainability Standards Board (ISSB)

published exposure drafts. We are highly engaged in the international development of standards and guidelines related to financial sustainability reporting and disclosure and, for this reason, there were important discussions among several members from IARC and COSRA who shared their initiatives in this area, as well as their jurisdictions' viewpoints on sustainability matters.

Regarding crypto-assets and DeFi, the Fintech Task Force (FTF) informed IARC about its work plan and activities programmed for 2022, including the analysis to be carried out by its two workstreams. This information was particularly relevant for the task force given the different regulatory approaches to these topics in these regions. There are jurisdictions working on the development of the applicable laws and regulations, and having the international standard available, helped them with this task.

We, at the Inter-American region also included a dialogue on market fragmentation as mandated by the IOSCO Board. This topic was included for discussion in the meetings and was led by a representative from the Affiliates Members Consultative Committee (AMCC), who presented a summary of the AMCC market fragmentation analysis for 2022. In addition, we asked members to evaluate whether there were any circumstances or market conditions that were impacting the proper functioning of the capital markets. This information was transmitted to the IOSCO General Secretariat.

My colleagues Christina and Jose Manual and I considered it critical for members to be informed on the evolution and trends in the global capital markets, and to that end, we invited different committees and organizations to share their perspectives. This included a presentation from the Chair of the Regulatory Oversight Committee (ROC) on the progress related to the Legal Entity Identifiers (LEI), as well as other data identifiers and their significance to securities authorities. The U.S. Financial Industry Regulatory Authority (FINRA) informed IARC/COSRA members on its main initiatives and projects including its 2022 work program, as well as the key findings of the 2022 Report on FINRA's Examination and Risk Monitoring Program. Likewise, the Executive Director of the North American Securities Administrators Association (NASAA) updated members on the main initiatives and projects NASAA was conducting, and presented the key findings from the Enforcement Report, as well as the recent model rules approved by members and the Investor Education Initiatives.

During September 2022, we conducted a survey to gather information from members regarding i)



relevant topics for discussion; ii) current priorities; iii) emergent market fragmentation issues; iv) capacity-building activities; and v) other information required for the proper functioning of IARC. The results showed that the most relevant topics for discussion, as well as the current priorities for members, were investor protection, Fintech, crypto-assets, sustainable finance, and others such as channels for the exchange of supervisory information, risk-based supervisory approaches and supervision of external auditors. Regarding the emergent market fragmentation topics, members mentioned regulation of the crypto-assets sector. In terms of capacity building, IARC members expressed their interest in webinars on Fintech, including SupTech, retail investment, digital platforms regulation, and cybersecurity. Members also commented on their interest in holding seminars on inspections and enforcement, as well as on systemic risk and risk matrix.

I am very grateful for the high level of commitment to this Committee from Christina, as the IARC Vice Chair, and José Manuel, as the IARC Representative. Their enthusiastic engagement has been crucial for the successful development of the activities conducted during 2022. I also want to thank Mr. Adrian Cosentino, ex-Chairman of the Securities Commission of Argentina, for his work as the IARC Representative in early 2022. Finally, I want to thank all IARC members for their active involvement in the meetings and efforts conducted by this Committee.

Assessment Committee

Chair: Ms. Sharon Kelly, Strategic Advisor, National and International Affairs, Autorité des marchés financiers, Québec

The IOSCO Assessment Committee (AC) monitors implementation of IOSCO Principles and Standards. IOSCO's effectiveness as a standard setter ultimately lies in the actual implementation of the Objectives and Principles of Securities Regulation and other IOSCO standards.

The work of the Assessment Committee (AC) is critical to IOSCO and its members. Unless implemented, international standards are ineffective. The Assessment Committee therefore has the critical role of ensuring that IOSCO Principles and Standards are implemented in IOSCO's member jurisdictions, in a consistent and effective way.

The year 2022 was a productive one for the AC. Indeed, the AC conducted a Thematic Review on Liquidity Risk Management, which was published on 16 November 2022. As part of its IOSCO Standards Implementation Monitoring (ISIM) program, the AC also worked on and finalized the ISIM Review on Principles 1-5 applicable to the Regulator for publication on 15 February 2023. Following its 2022-2023 workplan, the AC also initiated a new *Thematic Review on Technological Challenges to Effective Market Surveillance Issues and Regulatory Tools*.

Additionally, as has been the practice for several years, the AC conducted annual updates on its Securitization and MMF reports.* Summarized key findings are reflected in the FSB's *Annual Report on Implementation and Effects*, which is submitted to G20 leaders.

AC members also advanced work on a new initiative aimed at offering practical guidance to the users of the IOSCO Methodology for Assessing Implementation of the *IOSCO Objectives and Principles of Securities Regulation*. This new project was christened *Pointers for Users of the Methodology* ('Pointers'). Based on feedback from recent reviews and from the previous extensive capacity building exercise, the Pointers look to provide Principle-by-Principle guidance for IOSCO members, as users of the Methodology.

Thematic Review on Liquidity Risk Management

A *Thematic Review report* assessing the implementation of selected recommendations issued in 2018 to strengthen the liquidity risk management practices for collective investment schemes ('CIS') globally was published in November 2022.

The 2018 policy recommendations seek to improve liquidity risk management practices of open-ended collective investment schemes (CIS) as part of IOSCO's mission to protect investors, ensure fair and efficient financial markets and reduce systemic risk. These recommendations are targeted at entities responsible for managing the liquidity of CIS to ensure that liquidity is managed to safeguard and protect the interests of investors, including in stressed market conditions. The 2018 Recommendations were prepared following publication of the FSB's *Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities* in January 2017 (FSB 2017 Recommendations).

The Review covered 26 jurisdictions out of which 14 collectively comprise over 92% of assets under management globally. To assess, in practice, how implementation of the Recommendations has furthered the desired outcomes of the 2018 Report, the Review also analyzed responses from 76 market participants of mixed geographical representation and size.

The Review found that larger jurisdictions show a high degree of implementation of regulatory requirements consistent with the objectives of the Recommendations. For the CIS design process, the Review identified some

* Peer Review of Implementation of Incentive Alignment Recommendations for Securitisation: Final Report; Peer Review of Regulation of Money Market Funds: Final Report



challenges with respect to dealing frequency, dealing arrangements and disclosure practices. For day-to-day liquidity management, the Review found that some jurisdictions may need to improve the process of identification of a liquidity shortage before it occurs and provide more guidance on aligning the investment strategy, liquidity profile and redemption policy. Other related areas that may warrant further attention include data availability and third-party providers of liquidity metrics. With regards to contingency planning, the Review found that jurisdictions should further address the availability of liquidity management tools and supplement the current rules and regulations to include requirements that are more specific regarding the use of such tools.

Additionally, the Review found that responsible entities (i.e., asset managers) have a high degree of implementation of the Recommendations at the level of policies and practices. While all large global responsible entities described practices that were consistent with the Recommendations, improvement might be needed by smaller and less-resourced entities with regard to their liquidity disclosure provisions in their CIS design process. Some weaknesses were also identified in operationalizing contingency plans and activation of liquidity risk management tools.

The Review and its findings also constituted input to the FSB Report *Assessment of the Effectiveness of the FSB's 2017 Recommendations on Liquidity Mismatch in Open-Ended Funds* published in December 2022. The FSB's 2017 Recommendations were partly operationalized by IOSCO's 2018 Recommendations.

IOSCO Standards Implementation Monitoring (ISIM) for Principles 1-5 Relating to the Regulator

The report on IOSCO Standards Implementation Monitoring on Principles 1 to 5 is based on a review of 55 IOSCO member jurisdictions from both emerging and advanced markets (ISIM Review). Principles 1 to 5 establish the desirable attributes of a regulator, emphasizing the independence and accountability of

the regulator as well as the need for regulators to have adequate powers and resources. These Principles form an integral part of IOSCO's 38 Objectives and Principles of Securities Regulation which provide core elements for securities regulation.

These Principles establish the desirable attributes of a regulator. An independent and accountable regulator with appropriate powers and resources is essential to ensuring the achievement of the three core objectives of securities regulation: the protection of investors; ensuring that markets are fair, efficient and transparent; and the reduction of systemic risk.

The ISIM Review noted various approaches to implement these Principles and a number of good practices have been identified in the report. At the same time, some gaps in implementation have also been observed, notably in emerging and frontier market jurisdictions. These gaps cover operational independence, lack of a stable and continuous source of funding, adequate legal protection, or adequate human resources to carry out the Regulator's duties. Gaps are also observed regarding lack of clear guidance for disclosure of conflicts of interest, or for procedural fairness and confidentiality standards.

Conclusion

I wish to highlight that during my tenure as Chair of the Assessment Committee, it has been an honor to contribute to IOSCO's work to develop sound and sustainable capital markets worldwide.

In 2022, little would have been accomplished in this area had I not benefitted from the unwavering support and collaboration of AC members, the AC Vice Chair and the IOSCO General Secretariat. I wish to express my appreciation to them for their dedication and hard work in accomplishing the AC's numerous initiatives. I am particularly grateful to the then AC Vice Chair Liam Mason of New Zealand and the IOSCO General Secretariat's Implementation Monitoring Team for their dedication and diligence, which proved to be invaluable to the work of our Committee.

The IOSCO MMoU/EMMoU Screening Group

Securities regulators around the world use the IOSCO Multilateral Memorandum of Understanding* (MMoU) and its updated version, the Enhanced MMoU (EMMoU), to help ensure effective global securities markets regulation. The MMoU and EMMoU represent a common understanding of how signatories should consult, cooperate and exchange information to strengthen regulatory enforcement in securities markets.

Since 2005, IOSCO has required securities regulators with primary responsibility for securities regulation in their jurisdictions to sign the IOSCO MMoU to become ordinary members, underscoring the importance of this standard for enforcement purposes. The MMoU supports IOSCO members in discharging their functions of detecting and prosecuting illegal conduct, deterring wrongdoing, and preventing regulatory arbitrage by facilitating information sharing and cooperation.

The Screening Group (SG) reviews applications from authorities seeking to become MMoU or EMMoU signatories and is responsible for ensuring that members seeking accession to these cooperation instruments meet all necessary requirements. When requested to do so, the SG also conducts preliminary assessments of draft legislation prepared by applicants. The SG comprises seven Verification Teams that perform the assessment of applicants' compliance with the MMoU or EMMoU and report their findings to the SG for further assessment and approval.

In discharging its duties, the SG is supported by the IOSCO General Secretariat staff, which conducts formal checks on MMoU and EMMoU applications for completeness and clarity. The Secretariat also offers guidance and technical assistance to non-signatories to help them advance their applications.

In 2022, the SG issued two Guidance Notes. The *Guidance Note on Timeliness of Responses to MMoU Requests*, issued in April 2022, highlights best practices amongst MMoU and EMMoU signatories in fulfilling their obligations under both instruments,

which hinges on good communication and timely responses to requests made. The *Guidance Note on Cooperation in Investigations involving New Products*, of May 2022, sets standards to facilitate cooperation to the fullest extent permissible, between MMoU and EMMoU signatories, concerning new products and services.

MMoU Signatories

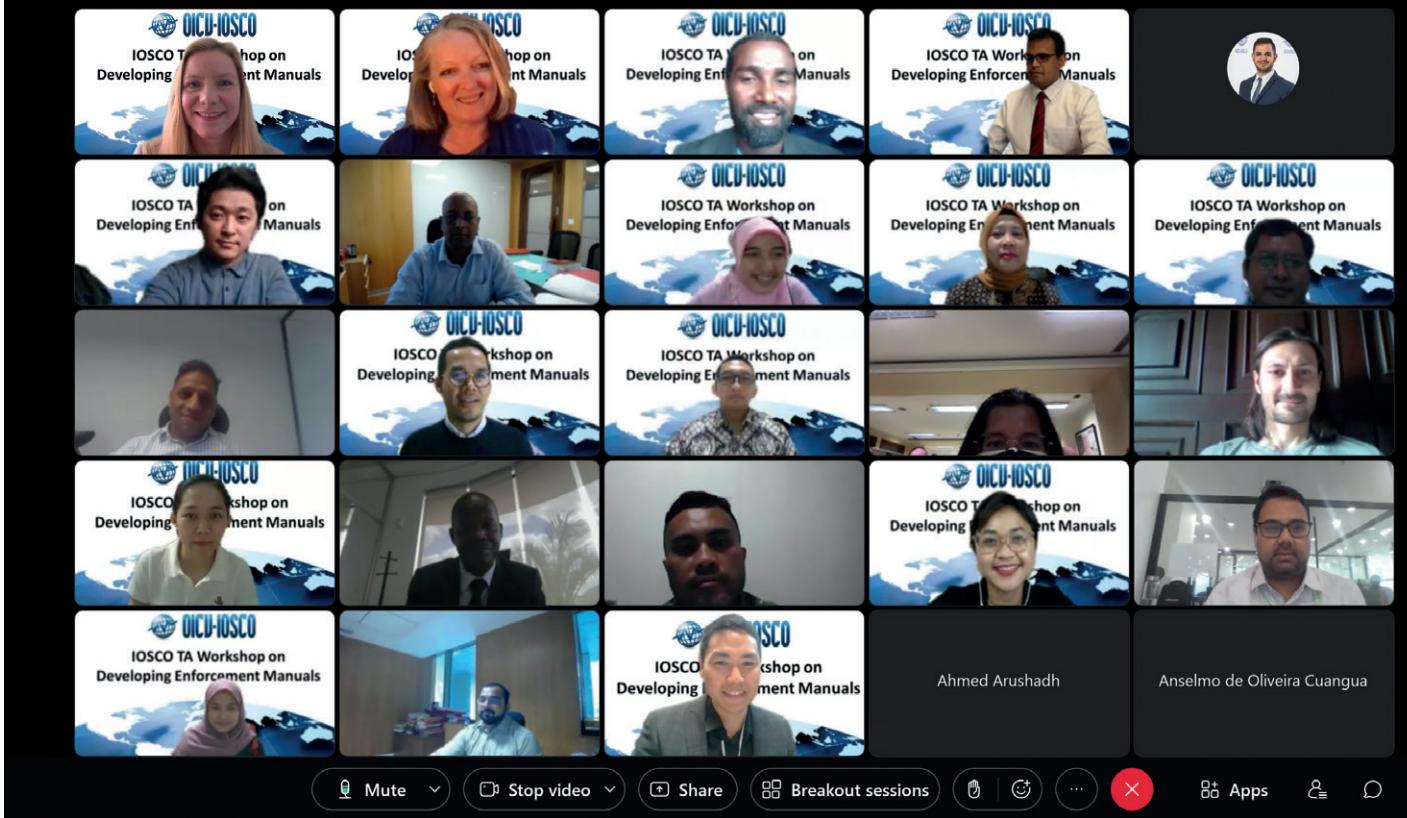
As of 31 December 2022, there were 129 signatories to the MMoU (124 ordinary members and five associate members), out of 153 eligible members (129 ordinary and 24 associate members).

Seven ordinary members out of 129 remained non-signatories to the MMoU at the end of 2022, six of them are listed on Appendix B. Appendix B lists ordinary members having applied to become MMoU signatories (unsuccessfully), but which have also formally expressed their commitment to seek the legislative changes necessary to meet the standards of the MMoU. One ordinary member remained in the non-signatory, non-Appendix B listed category, given that it had not yet committed to seeking legislative changes necessary to achieve MMoU compliance.

Enhanced MMoU

Since it was established in 2002, the MMoU has been the pre-eminent standard for international enforcement cooperation and information sharing among securities regulators.

* The formal name for the MMoU is the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.



Mute Stop video Share Breakout sessions Ahmed Arushadh Anselmo de Oliveira Cuangua

Since 2002, financial markets have undergone sweeping changes, driven by new technologies, regulation, and the growing role of market-based finance in the global economy. In 2017, IOSCO established an enhanced MMoU to respond to the impact of these developments on regulators' enforcement efforts. The EMMoU provides for additional enforcement powers that IOSCO believes are necessary for continuing to safeguard the integrity and stability of capital markets, protect investors and detect and deter illegal activity.

The Secretariat began accepting EMMoU applications from members in April 2017 and by the end of 2022, the Secretariat had received EMMoU applications from a total of 28 jurisdictions (three applicants subsequently withdrew their submissions). Of the remaining jurisdictions, 22 had become EMMoU signatories by the end of 2022 while three remained under the SG's assessment. In 2022, the Israel Securities Authority signed the EMMoU.

All authorities that have submitted EMMoU applications are signatories to the MMoU, although non-MMoU signatories believing that they meet the requirements for signing the EMMoU can apply to sign both instruments at the same time.

The MMoU will remain in effect for as long as any signatory wishes to use it. While the MMoU remains in effect, jurisdictions will co-operate with their counterparts under the instrument to which they are both signatories. The long-term expectation, however, is for all MMoU signatories to migrate to the EMMoU.

Encouraging more EMMoU Applications

Since October 2019, the SG has been considering practical ways of encouraging more MMoU signatories to submit EMMoU applications. To advance its consideration of this matter, the SG established a working group to consider why eligible members are not applying as fast as expected to sign the EMMoU and to articulate strategies for encouraging more applications.

The SG is now considering and developing actions to encourage more EMMoU applications.

MMoU Statistics

IOSCO collects annual statistics on how signatories use the MMoU to exchange information. These statistics help IOSCO track the use of the MMoU while determining which jurisdictions are the largest users globally, and which are the largest within each of the four IOSCO regions.

Statistics collected over the years indicate that the growing number of signatories has led to greater cross-border cooperation, enabling regulators to advance more enforcement matters. In 2006, a total of 526 requests for assistance were made pursuant to the MMoU. By the end of 2022, the number of MMoU requests made by signatories reached 5,567 (a ten-fold increase in just over 15 years). This trend is expected to continue its upward course as more members become signatories, and as more signatories avail themselves of these information-sharing mechanisms. In addition, requests for assistance made under the EMMoU totaled 1,236 exchanges of information in 2022.

IOSCO Capacity Building

In 2022, IOSCO continued to work intensively to meet the capacity building needs of its members, particularly those from emerging market jurisdictions. By strengthening the regulatory and supervisory proficiency of its members, IOSCO aims to ensure their ability to implement globally agreed standards and maintain robust securities markets that help drive sustained economic growth.

As COVID-19 lost steam during 2022, IOSCO increasingly staged in-person capacity building activities to replace and complement the virtual format used during the height of the pandemic. This included the launch of IOSCO's capacity building program on Sustainable Finance.

The IOSCO Asia-Pacific Hub in Kuala Lumpur organized a series of virtual events on critical regulatory and other issues that regulators are currently facing. Furthermore, IOSCO members had access to a variety of virtual capacity building events organized by the IOSCO General Secretariat, including some in conjunction with partners, and several IOSCO committees, including the Affiliate Members Consultative Committee, in addition to the online resources of the IOSCO Regulatory Capacity Building Online Toolkit. Also, a comprehensive online suite of tutorials on the IOSCO Principles was developed and launched together with the Financial Stability Institute of the Bank for International Settlements.

IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets

Since 2016, IOSCO has organized, jointly with the Program on International Financial Systems and the Harvard Law School (PIFS-HLS), the annual *Global Certificate Program for Regulators of Securities Markets*, an executive education program tailored exclusively to the needs and circumstances of securities markets regulators.

The initiative is divided into two phases: a one-week session at IOSCO's Madrid headquarters and a one-week session at Harvard Law School in Cambridge, Massachusetts. Speakers are experienced securities

regulators, academics specialized in financial markets and others with extensive legal or technical knowledge of international financial systems.

By end-2022, over 900 IOSCO members had enrolled in the program, of whom 444 earned a certificate by completing both sessions. In 2022 and previous years, a limited number of growth and emerging markets members received scholarship grants to cover the tuition fee of Phase II of the program; there is no tuition for the Madrid-based Phase I. Also going forward Harvard will continue to try to secure grant funding to help defray the program cost for IOSCO's growth and emerging market members.

The 6th edition of the IOSCO/PIFS-HLS Global Certificate Program Phase I was delivered in a virtual format and consisted of virtual live sessions held on 6-10 June 2022 and covered the fundamentals and intricacies of securities regulation and compliance and related current critical issues. It was attended by some 300 IOSCO members from close to 80 jurisdictions. As a follow-up to Phase I discussions, an additional virtual case study session on Theranos was organized on 6 July 2022.

Phase II was delivered at Harvard Law School, from 12-16 December 2022, though it was also possible to attend the program virtually. Some 130 IOSCO members took part in the capstone Phase II of the program in which leading academics, regulators and public-policy makers discussed current and future regulatory challenges and emerging issues related to the role of capital markets in promoting economic growth and sustainability; as well as to digital assets, Fintech and Regtech; issues in trading and market structure; and market fragmentation and international coordination.

IOSCO/PIFS-Harvard Law School Global Policy Development Seminar

Since 2020, PIFS-HLS and IOSCO have been organizing an annual Global Policy Development Seminar (GPDS), which focuses on cutting-edge policy issues. The target audience comprises senior policy makers from capital markets authorities from across the globe.

The third edition of this joint initiative, held on 10 November 2022, focused on *The Regulation of Crypto-Asset Markets*, soon after the collapse of FTX Trading Ltd., commonly known as FTX – which formerly operated a cryptocurrency exchange and crypto hedge fund. Some 130 IOSCO Board members and the leadership of IOSCO Committees and Task Forces and other senior regulators discussed from different perspectives key policy issues in crypto-asset markets.

IOSCO Seminar Training Programs

For over 20 years, IOSCO has organized an annual three to four-day seminar training program at its headquarters in Madrid. Designed for junior to mid-level securities regulators, the program typically focuses on topics that reflect members' needs as identified in IOSCO evaluations.

In 2022, the 24th IOSCO Seminar Training Program, titled *A Critical Examination of Today's Crypto Space and the Resulting Regulatory Challenges for Securities Regulators*, was delivered in a virtual format on 26-28 April. The program featured presentations on the key risks and regulatory considerations relating to crypto-assets, decentralized finance, stablecoins and how they fit into the current regulatory and supervisory frameworks, AML/CFT Standards for virtual assets and their service providers, as well as case studies with experiences of how regulators are regulating the crypto space. The program was attended by over 350 IOSCO members representing 100 jurisdictions.

IOSCO Capacity Building Program on Sustainable Finance

Sustainable Finance is one of IOSCO's key priority areas. Establishing a global baseline for corporate sustainability disclosures was a key ambition of IOSCO's Workplan for Sustainable Finance in 2022, aimed at increasing transparency and mitigating greenwashing in financial markets.

To prepare its members for the new ISSB standards, IOSCO, in collaboration with the ISSB, developed a

capacity building program on disclosure requirements for corporate issuers. The initial phase of this program consisted of a high-level virtual roundtable session, on 19 September 2022, which was attended by over 140 delegates.

The high-level session was followed by an in-person two-day training program in Cairo, Egypt on 28-29 September 2022. The Egyptian Financial Regulatory Authority's Regional Centre for Sustainable Finance (RCSF) hosted the event.

Joint Virtual TC/IOSCO Risk-Based Supervision Program

Together with the Toronto Centre (TC), IOSCO developed a virtual training program on risk-based supervision (RBS), targeted at regulators in the Africa and Middle East region. The program ran from 14 to 18 November and 1 December 2022. The first high-level day of the program was dedicated to decision-makers, while the remaining five days were targeted at middle- to senior-level officials involved in the regulatory oversight of securities market participants. Around forty regulators from close to 20 jurisdictions participated.

The program was designed to help securities regulators better understand the concept of RBS and increase their effectiveness. The program also incorporated cross-cutting themes such as leadership skills, Environmental, Social and Governance (ESG) issues and, more particularly, climate disclosure-related developments.

Joint IOSCO-Financial Stability Institute (FSI) Conferences

Since 2006, IOSCO has organized an annual conference with the Financial Stability Institute of the Bank for International Settlements, targeted at securities regulators and banking supervisors. The program generally covers securities trading issues, market infrastructures and other topics of common interest on a cross-sectoral basis.

The 17th FSI-IOSCO Conference in 2022 was organized virtually on 5-6 October. Some 350 participants from 90 jurisdictions examined issues in Sustainable Finance, focusing on policy approaches to climate-related risks and good sustainability practices to counter greenwashing, and discussed policy developments in crypto-assets and stablecoins from an international perspective, and priorities and challenges at the national level.



In addition to this annual conference, IOSCO and FSI jointly developed a suite of online tutorials on the IOSCO Principles. These tutorials were published in October 2022 on FSI Connect, which is the e-learning library developed by the FSI for central banks and other financial sector authorities. The tutorials are also accessible on the members area of the IOSCO website.

C4 Virtual Conference on The Use of Technology in Securities Markets Enforcement

The IOSCO Committee 4 on Enforcement and the Exchange of Information (C4) established a conference on *The Use of Technology in Securities Markets Enforcement* for the benefit of IOSCO members. The first edition was held virtually on 28 September 2022

and was tailored to the needs of Enforcement and IT Staff. Over 300 securities and derivatives regulators attended the event.

This conference is one of Committee 4's initiatives for raising members' awareness of the importance of technology in enforcement and use of the current and emerging technological tools for combating securities fraud and misconduct. It is also intended to spark interest among members in developing and adopting their own tools and sharing their experiences with others, and for securities regulators to leverage technology to enhance their investigative capabilities and deliver more timely and effective enforcement outcomes, in the fast-evolving digital world.



IOSCO AMCC Training

IOSCO's Affiliate Members Consultative Committee (AMCC), building on the expertise available within its diverse membership, has been providing training opportunities to IOSCO members since 2008. These programs offer regulators and industry representatives the opportunity to exchange ideas and experiences and consider regulatory issues and events from different market perspectives.

The AMCC continued with the Learning Series it created in 2021, featuring a webinar titled *Cybersecurity during the Pandemic and Beyond* on 20 April 2022. The webinar underscored the importance of effective cybersecurity programs for both securities

regulators and securities industry players in view of the exacerbation of already existing cyber threats and vulnerabilities during the COVID-19 global pandemic. Other areas covered by the webinar were the importance of crisis management exercises, the importance of public private partnerships and how to communicate cyber risks to the board.

On 19 May 2022, the AMCC held a webinar titled *Securities and Derivatives Clearing and the role of CCPs*. This webinar was a second part to an earlier episode held in November 2021. In building upon the discussions held during the first part, the webinar delved deeper into the key regulatory standards for clearing and CCPs established under the IOSCO-CPMI Principles for Financial Markets Infrastructure (PFMIs)

and their significance for global business. In addition, the webinar featured presentations on margining practices, non-default losses as well as recovery and resolution.

IOSCO Regulatory Workshops

As part of the IOSCO Annual Meeting in Marrakech, Morocco, three Regulatory Workshops were organized on 18 October 2022. The workshops were attended by some 200 IOSCO members and focused respectively on *Sustainable Finance - The Path Forward in Addressing Greenwashing; Crypto Assets - Issues, Risks And Regulatory Considerations; and Facilitating Financial Innovation - Risks and Opportunities*.

IOSCO Capacity Building Online Toolkit

The Online Toolkit aims to assist IOSCO members in their efforts to develop and implement effective regulatory frameworks for capital markets regulation. The Online Toolkit has been designed to offer IOSCO members information in one readily available place, to inform and guide their own regulatory efforts. Initially, there were two components to the Online Toolkit – Risk Based Supervision and Enforcement. In 2020, the toolkit was expanded to include four new components: Secondary Markets; Market Infrastructures; Collective Investment Schemes and Intermediaries. The Online Toolkit is used extensively by members –at end 2022, it had more than 1,500 unique users from over 200 IOSCO member organizations.

IOSCO World Investor Week

The IOSCO World Investor Week (WIW) is a worldwide campaign to raise awareness about the importance of investor education and protection, while highlighting the investor education and protection initiatives of securities regulators and other stakeholders.

The WIW Working Group launched the campaign for 2022 in the week of 3-9 October, but the participating jurisdictions were able to choose any other week of October or November 2022 to celebrate investor education and adapt the format of their campaign to local circumstances and the pandemic.

The key messages of the IOSCO WIW campaign in 2022 were based on two themes: 1) investor resilience, and 2) sustainable finance. These messages complement those of previous IOSCO WIW editions, such as frauds and scams prevention and crypto assets.

The WIW WG hosted two preparatory webinars (on 20 July 2022 and 8 September) with IOSCO members and other stakeholders that participated in the 2022 campaign. IOSCO updated the WIW website to include resources such as templates, WIW logos, and the Key Messages for participants to deliver throughout the campaign.

IOSCO securities regulators and other IOSCO members from over 90 jurisdictions on six continents undertook a range of activities, such as offering investor-focused information, promoting contests to increase awareness of investor education initiatives, organizing workshops and conferences, and conducting local/national campaigns in their jurisdictions, including through digital or virtual means.

IOSCO Asia-Pacific Capacity Building Hub

IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative allows IOSCO to offer capacity building activities to securities markets regulators in the region and beyond.

Under the supervision of the IOSCO Secretary General, the Hub enables IOSCO to leverage on the experience, expertise and infrastructure of its membership to promote market development and enhance connectivity and inclusiveness in the Asia Pacific region. It also serves to strengthen the regulatory and supervisory capacity of the region's securities regulators.

Since becoming operational in mid-2017, the Hub has initiated a wide variety of capacity building activities. By end-2022, some 1,500 IOSCO members from over 110 jurisdictions across all regions have benefitted from the Hub's in-person programs and live webinars, and many more have accessed the on-demand webcasts on the Hub's website.

In 2022 the Hub continued to leverage technology and organized a virtual workshop as well as a series of webcasts and webinars attended by many IOSCO members from around the world.

Webinar on Digitalisation and the Evolving Retail Investment Landscape (October 2022)

In conjunction with IOSCO's World Investor Week 2022 and IOSCO's report on *Retail Distribution and Digitalisation*, the webinar discussed changing trends in the online retail investment landscape, recent concerns arising regarding

the regulatory perimeter and considerations for regulators in navigating the digital landscape.

Webinar on Crypto/Digital Assets and DeFi – Look Before You Leap (October 2022)

Similarly, during World Investor Week 2022, the IOSCO Asia Pacific Hub hosted a webinar supported by the IOSCO Board-level Fintech Task Force on Crypto/Digital Assets and DeFi. The webinar discussed recent developments in crypto assets and DeFi and implications for investor protection and education.

Virtual workshop on Takeovers, Mergers and Acquisition (September 2022)

The Hub organized a targeted virtual workshop for some 50 securities regulators from Brunei, Cambodia and Vietnam on Takeovers, Mergers and Acquisition on 20 – 21 September. The workshop was intended to meet members' needs in developing their respective takeover and mergers frameworks and covered the fundamentals of a takeovers and mergers framework, including the types of takeover offers, processes and procedures involved in a takeover offer, and regulators' experience in the administration of the takeovers and mergers code.

The targeted workshop forms part of the Hub's initiatives to strengthen the capacity of securities regulators and facilitate the transfer of knowledge and expertise among IOSCO members.

Webcast on Crypto-Assets: Latest Developments and Regulatory Implications (June 2022)

The webcast discussed the latest developments in the crypto-assets space, including the emergence of Stablecoins, Decentralized Finance and Non-Fungible Tokens (NFT)s, and the regulatory implications of these developments. The webcast also discussed current regulatory approaches to crypto-assets and measures undertaken to enhance investor protection in this space.

Webcast on Operational Resilience (January 2022)

In conjunction with the publication of IOSCO's consultation report on the Operational resilience of trading venues and market intermediaries during the COVID-19 pandemic, the webcast discussed challenges faced by trading venues and intermediaries during the COVID-19 pandemic, key operational risks

and considerations on the operational resilience of trading venues and market intermediaries.

Technical Assistance Program

IOSCO's Technical Assistance Program (TAP) is designed to provide modular technical assistance programs to help regulators implement IOSCO Principles and meet the requirements of the IOSCO MMoU.

The modules serve as the basis for delivering technical assistance programs that are tailored to members' needs. The TAP is organized in three modules covering: onsite inspection manuals; enforcement manuals and the MMoU.

In addition to the modules, the TAP offers workshops on the practical application of the onsite inspection and enforcement manuals. The objective is to encourage members to use the manuals in their daily activities to enhance the efficiency and effectiveness of supervision and enforcement in the participating jurisdictions.

Module 1 – Onsite Inspection Manuals

Here, the aim is to develop manuals for IOSCO members in different regions to use during the *on-site inspection process* for the supervision of investment firms and asset managers. The manuals include, among other things, the templates and the steps for the inspection team to follow when preparing, performing and following-up on the onsite inspections.

Based on the TA for selected jurisdictions from the European region, a virtual regional TA Workshop on Developing Onsite Inspection Manuals was organized on 5-6 April 2022 to allow all GEM members from this region to benefit from the original TA program.

Module 2 – Enforcement Manuals

The objective of this module is to develop enforcement manuals for IOSCO members in different regions to use during the enforcement process in each one's specific jurisdiction. The manuals include detailed information about the approach to enforcement, conduct of investigations, investigative practices, cooperation, privileges and protection and settlement.

Based on the TA program targeted at selected jurisdictions from the Asia-Pacific region, a virtual regional TA Workshop on Developing Enforcement Manuals for GEM members from the Asia-Pacific region was held on 22-23 March 2022.

Module 3 – MMoU

Securities regulators around the globe use the IOSCO MMoU to address cross-border fraud and misconduct, which can weaken global markets and undermine investor confidence. Established in May 2002, the MMoU sets out specific requirements for the exchange of information and provides a mechanism through which IOSCO members share essential investigative material.

Signing the IOSCO MMoU is a prerequisite to becoming an IOSCO ordinary member. But becoming an MMoU signatory often proves to be a challenge for many members, particularly for emerging markets that may need outside expertise to propose needed legal reforms.

Responding to this need, IOSCO assists members in their efforts to sign the MMoU by guiding them through the process. Lao and Mozambique received IOSCO assistance in 2022, enabling them to advance their efforts to become MMoU signatories. Following the technical assistance received, Cambodia and Paraguay submitted, respectively, an MMoU application and an application for a preliminary assessment, both of which were assessed by the IOSCO Screening Group.

Other Capacity Building Initiatives

Assistance provided through the IOSCO General Secretariat to non-signatories of the IOSCO MMoU

The MMoU team provides procedural guidance to non-signatories and encourages them to move forward with their applications as soon as possible. The MMoU team contacts those who have made little or no progress over time and suggests that members go through a preliminary assessment process or seek political support from the General Secretariat, or from IOSCO more generally, for the enactment of their new legislation. IOSCO also offers the following programs, assistance and other capacity building tools:

- > Technical Assistance (TA) for members and non-members
- > Data Sharing Platform
- > Capacity Building for Self-Assessments





General Information

The International Organization of Securities Commissions (IOSCO) is an international association of securities regulators that was established in 1983. Its General Secretariat is based in Madrid, Spain.

The objectives of IOSCO's members are:

- > to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement to protect investors, maintain fair, efficient and transparent markets and to mitigate 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 the 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.

Structure of IOSCO

The Presidents Committee, as the plenary body of IOSCO, meets once a year during the IOSCO Annual Conference and is attended by ordinary, associate and affiliate members, though voting rights are restricted to ordinary and associate members.

The Board is the day-to-day governing body of IOSCO. The IOSCO Board is composed of 35 members and two observers:

- > 19 Nominated Members from jurisdictions with the largest markets (based on a variety of factors);
- > The Chair and the two Vice Chairs of the Growth and Emerging Markets (GEM) Committee who are elected;
- > The Chairs and the Vice Chairs of the four Regional Committees who are elected;
- > One Member from the GEM Committee Membership who is elected; and
- > One Member from each of the four Regional Committees is elected.

During most of 2022, Ashley Alder, Chief Executive Officer, Securities and Futures Commission, Hong Kong, served as the Chair of the Board and was supported by two Vice Chairs: Dr. Mohamed Farid Saleh, Executive Chairman, Financial Regulatory Authority, Egypt, (who replaced Dr. Mohammed Omran, also of Egypt, in August 2022), and Mr. Jean-Paul Servais, Chairman, Financial Services and Markets Authority, Belgium.

As Mr. Alder's term ended in October 2022, the Board appointed Vice Chair Jean-Paul Servais, to replace him as Chair. The new Board also appointed two Vice Chairs to succeed Mr Servais: Mr. Shigeru Ariizumi, Vice Commissioner for International Affairs, Financial Services Agency, Japan, and Mr. Rostin Behnam, Chair of the U.S. Commodity Futures Trading Commission. As Chair of the Growth and Emerging Markets (GEM) Committee, Dr Farid continued ex officio as IOSCO Board Vice Chair.

The observers in 2022 were the Chair of the IOSCO Affiliate Members Consultative Committee, Karen Wuertz, Senior Vice-President, Strategic Planning and Communications, National Futures Association, United States, and Verena Ross, named Chair of the European Securities and Markets Authority of the European Union in November 2022. Ms. Ross replaced IOSCO Board observer Steven Maijor as ESMA Chair.

The Growth and Emerging Markets Committee (GEM Committee) is the largest committee within IOSCO, representing more than 75% of IOSCO's ordinary membership. In August 2022, Dr. Farid replaced Dr. Mohammed Omran, until then the Executive Chairman of the Financial Regulatory Authority Egypt, as GEM Committee Chair for the remainder of the 2020-2022 term.

The GEM Committee seeks to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the exchange of information and transfer of technology and expertise.

The GEM Committee's strategic priorities are focused on a variety of matters including risks and vulnerabilities assessments, policy and development work affecting emerging markets and regulatory capacity building. It

provides training programs and technical assistance for members and enables the exchange of information and expertise.

The GEM Committee comprises 90 members and 24 non-voting associate members that include some of the world's fastest growing economies and 10 of the G-20 members.

IOSCO is the one of the few international standard setters that has a committee dedicated to emerging market issues. This inclusiveness increases IOSCO's effectiveness and positions it to play a more significant role in shaping the global regulatory framework.

IOSCO also has **four Regional Committees**, which meet to discuss matters specific to their respective regions and jurisdictions and contribute a regional perspective to Board discussions:

- > Africa/Middle-East Regional Committee;
- > Asia-Pacific Regional Committee;
- > European Regional Committee; and
- > Inter-American Regional Committee.

Self-regulatory organizations (SROs) and other affiliate members (see below for a full description) are members of the **Affiliate Member Consultative Committee (AMCC)**. IOSCO recognizes the importance of engaging regularly with its affiliate membership and encourages its input into IOSCO's policy development work.

Annual Meeting

IOSCO's members meet every year at its Annual Meeting to discuss important issues related to global securities markets regulation. Event information can be found at www.iosco.org.

Membership Categories and Criteria

Categories

IOSCO has the following three categories of membership:

- > Ordinary;
- > Associate; and
- > Affiliate.

Ordinary

A national securities commission or a similar governmental body with significant authority over securities or derivatives markets is eligible for ordinary

membership of IOSCO, provided it is a signatory to the IOSCO Multilateral Memorandum of Understanding (MMoU) on cooperation and exchange of information. Where there is no such national authority, provincial authorities with authority over securities or derivatives markets are eligible for ordinary membership, provided they are MMoU signatories.

Each ordinary member of the organization is a member of the Presidents Committee and has one vote at meetings of that committee. The Presidents Committee meets yearly at the Annual Meeting.

Associate

The following organizations are eligible for associate membership:

- > supranational governmental regulators;
- > subnational governmental regulators where there is a national governmental regulator;
- > intergovernmental international organizations and other international standard-setting bodies;
- > other governmental bodies with an appropriate interest in securities regulation;
- > national governmental regulators who are not MMoU signatories and who are not ordinary members; and
- > associations that consist of the public regulatory bodies.

Associate members may attend and vote at meetings of the Presidents Committee.

Affiliate

The following bodies are eligible for affiliate membership of IOSCO:

- > self-regulatory organizations (SROs);
- > securities exchanges;
- > financial market infrastructures (including clearing and settlement agencies);
- > international bodies other than governmental organizations with an appropriate interest in securities regulation;
- > investor protection funds and compensation funds; and
- > any other body with an appropriate interest in securities regulation that the IOSCO Board may decide on for the purpose of furthering the objectives of the organization.

Affiliate members may attend the Presidents Committee meeting but have no voting rights.

Contact Details	General Secretariat International Organization of Securities Commissions (IOSCO) Calle Oquendo 12. 28006 Madrid. Spain. Tel: (34 91) 417 5549 . Fax: (34 91) 555 9368 E-mail: info@iosco.org Website: www.iosco.org
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IOSCO Members

Ordinary Members (120)

Albania	Albanian Financial Supervisory Authority
Alberta	Alberta Securities Commission
Algeria	Commission d'Organisation et de Surveillance des Opérations de Bourse
Andorra	Autoritat Financera Andorrana
Angola	Comissão do Mercado de Capitais
Argentina	Comisión Nacional de Valores
Armenia	Central Bank of Armenia
Australia	Australian Securities and Investments Commission
Austria	Financial Market Authority
Bahamas	Securities Commission of The Bahamas
Bahrain, Kingdom of	Central Bank of Bahrain
Bangladesh	Bangladesh Securities and Exchange Commission
Barbados	Financial Services Commission
Belgium	Financial Services and Markets Authority
Bermuda	Bermuda Monetary Authority
Bolivia	Autoridad de Supervisión del Sistema Financiero
Bosnia and Herzegovina, Federation of	Securities Commission of the Federation of Bosnia and Herzegovina
Brazil	Comissão de Valores Mobiliários
British Columbia	British Columbia Securities Commission
British Virgin Islands	British Virgin Islands Financial Services Commission
Brunei	Brunei Darussalam Central Bank
Bulgaria	Financial Supervision Commission
Cabo Verde	Auditoria Geral do Mercado de Valores Mobiliários, Banco Central of Cabo Verde
Cayman Islands	Cayman Islands Monetary Authority
Central Africa	Commission de Surveillance du Marché Financier de l'Afrique Centrale (Securities and Exchange Commission of Central Africa)
Chile	Comisión para el Mercado Financiero (Financial Market Commission)
China	China Securities Regulatory Commission
Chinese Taipei	Financial Supervisory Commission
Colombia	Superintendencia Financiera de Colombia
Costa Rica	Superintendencia General de Valores
Croatia, Republic of	Croatian Financial Services Supervisory Agency
Cyprus	Cyprus Securities and Exchange Commission
Czech Republic	Czech National Bank
Denmark	Danish Financial Supervisory Authority
DIFC, Dubai	Dubai Financial Services Authority
Dominican Republic	Superintendencia del Mercado de Valores
Ecuador	Superintendencia de Compañías, Valores y Seguros
Egypt	Financial Regulatory Authority
El Salvador	Superintendencia del Sistema Financiero

*Member of the IOSCO Board

Board observers

Estonia	Finantsinspektsioon
Finland	Financial Supervision Authority
France	Autorité des marchés financiers
Georgia	National Bank Of Georgia
Germany	Bundesanstalt für Finanzdienstleistungsaufsicht
Ghana	Securities and Exchange Commission
Gibraltar	Gibraltar Financial Services Commission
Greece	Hellenic Capital Market Commission
Guernsey	Guernsey Financial Services Commission
Hong Kong	Securities and Futures Commission
Hungary	Magyar Nemzeti Bank (The Central Bank of Hungary)
Iceland	The Central Bank of Iceland
India	Securities and Exchange Board of India
Indonesia	Indonesia Financial Services Authority
Iran	Securities and Exchange Organization
Ireland	Central Bank of Ireland
Isle of Man	Isle of Man Financial Services Authority
Israel	Israel Securities Authority
Italy	Commissione Nazionale per le Società e la Borsa
Jamaica	Financial Services Commission
Japan	Financial Services Agency
Japan	Ministry of Agriculture, Forestry and Fisheries
Japan	Ministry of Economy, Trade and Industry
Jersey	Jersey Financial Services Commission
Jordan	Jordan Securities Commission
Kazakhstan, Republic of	Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market
Kenya	Capital Markets Authority
Korea, Republic of	Financial Services Commission/Financial Supervisory Service
Kuwait	Capital Markets Authority
Kyrgyz Republic	State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic
Latvia, Republic of	Latvijas Banka
Liechtenstein	Financial Market Authority
Lithuania	Bank of Lithuania
Luxembourg	Commission de Surveillance du Secteur Financier
Malawi	Reserve Bank of Malawi
Malaysia	Securities Commission
Maldives	Capital Market Development Authority
Malta	Malta Financial Services Authority
Mauritius	Financial Services Commission
Mexico	Comisión Nacional Bancaria y de Valores
Monaco, Principality of	Commission de Contrôle des Activités Financières
Mongolia	Financial Regulatory Commission
Montenegro	Capital Market Authority of Montenegro
Morocco	Autorité Marocaine du Marché des Capitaux
New Zealand	Financial Markets Authority
Nigeria	Securities and Exchange Commission
North Macedonia, Republic of	Securities and Exchange Commission of the Republic of North Macedonia
Norway	Finanstilsynet (The Financial Supervisory Authority of Norway)
Oman, Sultanate of	Capital Market Authority

Ontario	Ontario Securities Commission
Pakistan	Securities and Exchange Commission
Palestine	Palestine Capital Market Authority
Panama	Superintendencia del Mercado de Valores
Papua New Guinea	Securities Commission of Papua New Guinea
Peru	Superintendencia del Mercado de Valores
Philippines	Securities and Exchange Commission
Poland	Polish Financial Supervision Authority
Portugal	Comissão do Mercado de Valores Mobiliários
Qatar	Qatar Financial Markets Authority
Quebec	Autorité des marchés financiers
Romania	Financial Supervisory Authority
Russia	The Bank of Russia
Saudi Arabia	Capital Market Authority
Serbia, Republic of	Securities Commission
Singapore	Monetary Authority of Singapore
Slovak Republic	The National Bank of Slovakia
Slovenia	Securities Market Agency/Agencija Za Trg Vrednostnih Papirjev
South Africa	Financial Sector Conduct Authority
Spain	Comisión Nacional del Mercado de Valores
Sri Lanka	Securities and Exchange Commission of Sri Lanka
Srpska, Republic of	Securities Commission of the Republic Srpska
Sweden	Finansinspektionen
Switzerland	Swiss Financial Market Supervisory Authority
Syria	Syrian Commission on Financial Markets and Securities
Tanzania	Capital Markets and Securities Authority
Thailand	Securities and Exchange Commission
The Netherlands	The Dutch Authority for the Financial Markets
Trinidad and Tobago	Trinidad and Tobago Securities and Exchange Commission
Tunisia	Conseil du marché financier
Türkiye	Capital Markets Board
Turks & Caicos	Turks & Caicos Islands Financial Services Commission
Uganda	Capital Markets Authority
Ukraine	National Securities and Stock Market Commission
United Arab Emirates	Securities and Commodities Authority
United Kingdom	Financial Conduct Authority
United States of America	Commodity Futures Trading Commission
United States of America	Securities and Exchange Commission
Uruguay	Banco Central del Uruguay
Uzbekistan	Ministry of Finance of the Republic of Uzbekistan
Vietnam	State Securities Commission
West African Monetary Union	Autorité des Marchés Financiers de l'UMOA
Zambia	Securities and Exchange Commission
	Palestine Capital Market

*Member of the IOSCO Board

Board observer

Associate Members (33)

Abu Dhabi	Financial Services Regulatory Authority
Africa	African Development Bank Group
AIFC, Astana	Astana Financial Services Authority
Arab Union	Union of Arab Securities Authorities
Asia	Asian Development Bank
Azerbaijan, Republic of	Central Bank of the Republic of Azerbaijan
Belarus, Republic of	Ministry of Finance of the Republic of Belarus
Botswana	Non-Bank Financial Institutions Regulatory Authority
Cambodia	Securities and Exchange Regulator of Cambodia
Curaçao	Centrale Bank van Curaçao en Sint Maarten
Eastern Caribbean Currency Union	Eastern Caribbean Securities Regulatory Commission
Eswatini	Financial Services Regulatory Authority
European Union	European Commission
European Union	European Securities and Markets Authority
Fiji, Republic of	Reserve Bank of Fiji
Guatemala	Securities and Commodities Market Registry
India	International Financial Services Centres Authority
International	International Bank for Reconstruction and Development
International	International Monetary Fund
Iraq	Iraq Securities Commission
Japan	Securities and Exchange Surveillance Commission
Korea, Republic of	Korea Deposit Insurance Corporation
Labuan	Labuan Financial Services Authority
Lao People's Democratic Republic	Lao Securities Commission
Lebanon	Capital Markets Authority
Mozambique	Banco de Moçambique
Namibia	Namibia Financial Institutions Supervisory Authority
Nepal	Securities Board of Nepal
Paraguay	Comisión Nacional de Valores
Qatar	Qatar Financial Centre Regulatory Authority
Rwanda	Capital Market Authority
Seychelles	Financial Services Authority
South Africa	Prudential Authority
Zimbabwe	Securities and Exchange Commission of Zimbabwe

Affiliate Members (72)

Bahamas	Bahamas International Securities Exchange
Bahrain, Kingdom of	Bahrain Bourse
Bermuda	The Bermuda Stock Exchange
Brazil	B3 – Brasil, Bolsa, Balcão
Brazil	Brazilian Financial and Capital Markets Association
Brazil	BSM Market Supervision
Canada	Investment Industry Regulatory Organization
Canada	Mutual Fund Dealers Association
Cayman Islands	Cayman Islands Stock Exchange
Channel Islands	The International Stock Exchange
China	Asset Management Association of China
China	China Financial Futures Exchange
China	China Securities Depository and Clearing Corporation Limited
China	China Securities Investor Protection Fund Co., Ltd.
China	Securities Association of China
China	Shanghai Stock Exchange
China	Shenzhen Stock Exchange
Chinese Taipei	Taipei Exchange
Chinese Taipei	Taiwan Futures Exchange
Chinese Taipei	Taiwan Stock Exchange Corp.
Colombia	Autorregulador del Mercado de Valores de Colombia
Egypt	MISR for Clearing, Depository and Central Registry
European Union	European Fund and Asset Management Association
Germany	Deutsche Börse AG
Germany	German Derivatives Association
Hong Kong	Accounting and Financial Reporting Council
Hong Kong	Hong Kong Exchanges and Clearing Limited
India	BSE Limited
India	Multi Commodity Exchange of India Limited
India	National Stock Exchange
Indonesia	Indonesia Stock Exchange
International	CCP12 – The Global Association of Central Counterparties
International	CFA Institute
International	FIA
International	Financial Planning Standards Board Ltd.
International	GBBC Digital Finance Limited
International	Global Financial Markets Association
International	ICI Global
International	International Capital Market Association
International	International Swaps & Derivatives Association, Inc.
International	Standards Board for Alternative Investments (SBAI)
International	The Alternative Investment Management Association Limited
International	World Federation of Exchanges Ltd.
Italy	Organismo di vigilanza e tenuta dell'albo unico dei Consulenti Finanziari
Japan	Japan Exchange Group, Inc.
Japan	Japan Securities Dealers Association
Kazakhstan, Republic of	Central Securities Depository JSC

*Member of the IOSCO Board

Board observer

Korea, Republic of	Korea Exchange
Kuwait	Boursa Kuwait Securities Company
Kuwait	Kuwait Clearing Company
Malaysia	Bursa Malaysia
Nigeria	Central Securities Clearing System Plc
Nigeria	FMDQ Group
Nigeria	Nigerian Exchange Group (NGX Group)
Russia	National Association of Securities Market Participants
Saudi Arabia	Saudi Stock Exchange
Singapore	Singapore Exchange Limited
South Africa	Johannesburg Stock Exchange
Spain	Bolsas y Mercados Espanoles
Switzerland	SIX Exchange Regulation AG
Thailand	The Stock Exchange of Thailand
Türkiye	Turkish Capital Markets Association
United Arab Emirates	Dubai Gold & Commodities Exchange
United Kingdom	London Stock Exchange Group
United Kingdom	The Investment Association
United States of America	Cboe Global Markets
United States of America	CME Group
United States of America	Depository Trust & Clearing Corporation (DTCC)
United States of America	Financial Industry Regulatory Authority
United States of America	National Futures Association
United States of America	Options Clearing Corporation
United States of America	Securities Investor Protection Corporation

Independence Auditor's Report

To the members of International Organization of Securities Commissions (IOSCO):

Opinion

We have audited the financial statements of International Organization of Securities Commissions (the Organization), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year ended, as well as the explanatory notes to the financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying financial statements express, in all material respects, the true and fair view of the Organization's financial position as at December 31, 2022, as well as of its results and cash flows, corresponding to the year therein ended, in agreement with the bases of presentation and measurement rules detailed in note 2.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Secretary General and the Audit Committee for the financial statements

The Secretary General is responsible for the preparation of these financial statements in accordance with the criteria for financial reporting described in note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

The audit Committee is responsible for overseeing the Organization's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management of the Organization regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



MAZARS AUDITORES, S.L.P

2023 Núm. 01/23/03297

96,00 EUR

SELLO CORPORATIVO:

Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional

Madrid, 29th May 2023

MAZARS AUDITORES, S.L.P

Carlos Marcos Corral

Financial Statements

Statement of Comprehensive Income (in Euros)

Year ended December 31, 2022

Notes 1 and 2

	2022	2021
REVENUE		
Contributions from members (Note 3)	6,017,426	5,877,460
Exchange Gain	1,914	2,155
Other	25,086	1,372
Total Revenue	6,044,426	5,880,987
EXPENSES		
Salaries and employee benefits (Note 4)	4,227,419	3,832,874
Rental and maintenance (Note 13)	129,462	80,358
Travelling	153,212	2,255
Office Supplies	12,224	7,901
Organization and follow up of meetings	23,330	-
Telecommunications	80,452	106,091
Delivery and communication	3,565	2,973
Printing and Annual Report	9,385	6,439
Information Technology	260,527	243,475
Professional fees	427,139	355,818
Educational programs and Technical Assistance (Note 15)	133,102	167,737
Miscellaneous	46,754	50,116
Exchange loss	-	-
PIOB Funding (Note 5)	100,000	100,000
Amortization of capital assets (Note 7)	48,534	52,526
Total Expenses	5,655,105	5,088,563
Taxation (Note 11)	-	-
Total comprehensive income for the year net of tax	389,321	872,424

The accompanying notes are an integral part of the financial statements.

Statement of Financial Position (in Euros)

Year ended December 31, 2022

Notes 1 and 2

	2022	2021
ASSETS		
Current assets		
Cash (Note 6)	10,682,124	10,241,138
Accounts Receivable (Note 8)	72,833	504
Prepaid Expenses (Note 9)	194,351	186,681
	10,949,308	10,428,323
Capital Assets (Note 7)	88,215	94,444
Total Assets	11,037,523	10,524,767
LIABILITIES		
Accounts Payable and accrued liabilities (Note 8)	562,973	479,925
Contributions received in advance (Note 3)	362,141	321,755
Total Liabilities	925,114	801,680
MEMBERS' FUNDS		
Excess of revenue over expenses net of tax (expenses over revenue)	389,321	872,424
Unrestricted members' funds	9,723,087	8,850,663
Total members' Funds	10,112,409	9,723,087
Total liabilities and members' Funds	11,037,523	10,524,767

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Net Assets (in Euros)

Year ended December 31, 2022

Notes 1 and 2

	2022	2021
	UNRESTRICTED	TOTAL
Balance, beginning of year	9,723,087	9,723,087
Excess of revenue over expenses net of tax (expenses over revenue)	389,321	389,321
Balance, end of year	10,112,409	10,112,409
		9,723,087

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows (in Euros)

Year ended December 31, 2022

Notes 1 and 2

	2022	2021
OPERATING ACTIVITIES		
Total comprehensive income for the year net of tax	389,321	872,424
Depreciation of capital assets (Notes 7)	48,534	52,526
Decrease (increase) in working capital items (Note 10)	43,436	19,550
Net cash generated	481,291	944,500
INVESTING ACTIVITIES		
Term deposits transactions (Note 6)	-	-
Capital expenditures (Note 7)	(40,305)	(20,199)
Net cash used	(40,305)	(20,199)
Net increase (decrease) in cash and cash equivalents	440,986	924,301
Cash and cash equivalents, beginning of period	10,241,138	9,316,837
Cash and cash equivalents, end of period	10,682,124	10,241,138
CASH AND CASH EQUIVALENTS		
Cash (Note 6)	10,682,124	10,241,138
	10,682,124	10,241,138

The accompanying notes are an integral part of the financial statements.

1 Governing Statutes and Purpose of the Organization

The International Organization of Securities Commission (hereinafter IOSCO or "the Organization") is an association of securities regulatory organizations. It was incorporated as a non-profit organization under a private act in Canada (L.Q. 1987, Chapter 143) sanctioned by the Quebec National Assembly, is recognized by the Spanish Government by means of the Third Additional Disposition of Law 55/1999 and whose legal framework is constituted, mainly, by the "Headquarters Agreement between the Kingdom of Spain and the International Organization of Securities Commissions" published in the Spanish Official State Bulletin on 17 December 2011 (HQA), and having its domicile in Madrid.

IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. Its current membership comprises regulatory bodies from over one hundred and thirty jurisdictions who have day-to-day responsibility for securities regulation and the administration of securities laws. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda.

The IOSCO Objectives and Principles of Securities Regulation have been endorsed by both the G20 and the FSB as the relevant standards in this area. They are the overarching core principles that guide IOSCO in the development and implementation of internationally recognized and consistent standards of regulation, oversight and enforcement. They form the basis for the evaluation of the securities sector for the Financial Sector Assessment Programs (FSAPs) of the International Monetary Fund (IMF) and the World Bank.

By providing high quality technical assistance, education and training, and research to its members and other regulators, IOSCO seeks to build sound global capital markets and a robust global regulatory framework.

The IOSCO objectives are:

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

2 Accounting policies

Basis of preparation

The financial statements have been elaborated according to the bases of presentation and measurement rules detailed in notes 2 below of the accompanying explanatory notes, considered most appropriate to allow reaching the true and fair view.

The financial statements are prepared in Euros which is the organization's functional currency.

These financial statements were authorized for issue by the Secretary General of the Organization on 26 May 2023.

Measurement bases

The financial statements have been prepared on an accrual basis with all assets and liabilities, valued at cost or at amortized costs.

Accounting estimates

The preparation of these financial statements, which are in conformity with notes indicated below and in line with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue and cost recognition

Revenue is recognised on an accrual basis, except for membership contributions due which are recognised upon receipt, under a strict prudence criterion, to better reflect the actual economic resources available to the organization at the end of the year, and to take into account the deferrals in the payments received.

Additionally, when contributions are received in advance and designated for future reporting periods, they are recognized as liabilities (revenue received in advance) and will be registered as revenue in the profit and loss account, in the year of accrual.

Operating costs are recognized as an expense when incurred.

Employee entitlements

Employee salaries, social security and other related benefits are recognized in the Statement of the Comprehensive Income when they are earned. Contributions to staff pension plans and retirement entitlements are recognized when they become due.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Any impairment in the net recoverable amount as compared to the net carrying amount is recognized immediately.

Gains and losses on disposal are included in the Statement of Comprehensive Income.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Furniture and fixtures	Straight-line	20%
Computer equipment		
Computers and Software	Straight-line	33%
Servers and Printers	Straight-line	20-25%
Audio-visual	Straight-line	14-20%

Foreign currency translation

Given that the Organization's functional and presentational currency is Euros, foreign currency transactions are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances are recognized in the Statement of Comprehensive Income when they arise.

Monetary assets and liabilities denominated in foreign currencies are recognized in Euros at the foreign exchange rate at the end of the reporting period. Foreign exchange differences arising on translation are included in the Statement of Comprehensive Income.

3 Revenue

Contributions from members include: (1) membership fees collected during the year, corresponding to contributions due for the reporting period, (2) previous reporting periods and (3) contributions from agencies applying for membership.

Other revenue comprises primarily interest income from current bank accounts (see Note 6), other revenue from the disposal of aging equipment and the remainder funds from the 2015 Capacity Building Online Toolkit which has been allocated to other revenue and recognized during 2022. (see note 14)

The account "Contributions received in advance" of the statement of financial position at 31 December 2022 includes funding received from members in 2021, amounting to €362,141 which is designated for subsequent periods (contributions of €321,755 received in advance during 2021). These contributions correspond to membership fees and contributions received in advance associated to the Secondments Program.

The detail of contributions received in advance is provided in the chart below:

	2022	2021
Members' contributions	362,141	309,811
2015 Capacity Building Program	-	11,944
Total contributions received in advance	362,141	321,755
(in Euros)		

4 Salaries and employee benefits. Secondment program

The average staff of the General Secretariat in 2022 and 2021 is shown in the chart below:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Permanent staff	15	13	28	15	12	27
Secondees	4	4	8	3	3	6
Intern	-	1	1	-	1	1
Total Staff	19	18	37	18	16	34

Total salary and employee benefits' cost are shown in the chart below:

	2022	2021
Gross salaries	3,333,390	3,026,552
Spanish social security	472,030	429,823
Other social benefits	421,999	376,499
Total salaries and employee benefits	4,227,419	3,832,874

(in Euros)

Other social benefits include the contributions to employees' medical insurance, moving and relocation costs and the contributions made by IOSCO to employees' defined contribution pension plans. On an annual basis, the IOSCO Board approves the Organization's budget, including a line item related to salaries and employee benefits, which includes a provision for pension plan contributions for permanent staff. The pension contribution was operationalized in a Unit Linked managed by Aegon España, S.A.U. de Seguros y Reaseguros. This, along with other staff pension allowances amounted to €258,942 (€239,448 in 2021).

In 2022, the Organization had the benefit of seconded staff from the Financial Services Agency of Japan (JFSA), the Financial Supervisory Service of Korea (FSS), Financial Services Commission of Mauritius, Comisión Nacional Bancaria y de Valores of Mexico, the Securities and Exchange Commission of Nigeria, the Central Bank of Ireland, the Securities and Exchange Commission of Thailand, the Financial Conduct Authority of United Kingdom (FCA) and the United States Securities and Exchange Commission (US SEC).

To extend to secondees the benefits granted to IOSCO staff by the HQA, the Organization typically enters, as part of the secondment program into a trilateral agreement with the sponsoring member and the secondee, whereby it offers the secondee an employment contract in Spain.

Secondment program revenue includes contributions from members sponsoring staff to join the General Secretariat on a temporary basis. These contributions generally cover a portion of the seconded staff's salary costs paid through the Organization. Revenue is recognized based on the terms, amounts and payment schedule determined by the Secondment agreement between the Organization and the sponsoring member. The amounts payable to the secondee as part of the respective employment contract are recognized and accrued as an expense. To enhance comparability, the amounts corresponding to the secondment program, both in terms of revenue and expenditure, have been offset in the Statement of Comprehensive Income. Consequently, the net difference between revenue and subsidized costs arising from social security adjustment is recognized on a net basis in the income statement under the "Salaries and employee benefits" account, as shown in the chart below:

	2022	2021
Revenue associated to the Secondment Program	229,633	238,782
Subsidized expenditure associated to the Secondment Program	(298,628)	(246,514)
Net as at December 31	(68,996)	(7,732)

(in Euros)

In addition, as part of the secondment agreements and in compliance with the IOSCO Secondment Program, IOSCO assumes certain costs, which are also recognized in the income statement in the "Salaries and employees benefits" account, including costs related to the moving and relocation of the secondees from their country of origin to Madrid, amounting to €161,510 (€78,632 for the year 2021).

In a minority of cases no trilateral agreement is executed because the sponsoring member continues to provide all the employment, administrative and financial requirements with respect to the secondee. When this occurs, IOSCO has no direct, formal employment link with the secondee and has no financial obligation. Accordingly, revenue and the related expenditure are not accrued.

5 PIOB Funding

The Public Interest Oversight Board (PIOB) was formally established in February 2005 as part of the IFAC Reform Proposals with the objective to increase investor and other stakeholder confidence that IFAC's public interest activities, including standard setting by IFAC's independent boards, are properly responsive to the public interest.

With a view to diversifying funding sources for the PIOB, the IOSCO Executive Committee decided in October 2011 to provide the PIOB with a direct financial contribution of one hundred thousand Euros per year, starting in 2013.

IOSCO contributed €100,000 to the PIOB in 2022 and in 2021.

6 Cash and Term Deposits

Cash is held in non-remunerated current bank accounts denominated in Euros in Caixabank, Santander Private Banking, Bankinter and BBVA, all EU entities with an upper medium credit rating. Cash balances include a small portion held in US dollar amounts.

7 Capital Assets

	Furniture and fixtures	Computer equipment	2022 Total
At the lower of recoverable value and cost			
Balance, beginning of year	289,744	771,616	1,061,360
Additions	-	37,890	37,890
Disposals	-	-	-
Balance, end of year	289,744	809,506	1,099,250
Accumulated depreciation			
Balance, beginning of year	(226,492)	(738,424)	(964,916)
Depreciation	(23,915)	(24,619)	(48,534)
Disposals	-	2,415	2,415
Balance, end of year	(250,407)	(760,628)	(1,011,035)
Net as at December 31, 2022	39,337	48,878	88,215
(in Euros)			

	Furniture and fixtures	Computer equipment	2021 Total
At the lower of recoverable value and cost			
Balance, beginning of year	289,744	751,415	1,041,159
Additions	-	20,199	20,199
Disposals	-	-	-
Balance, end of year	289,744	771,614	1,061,358
Accumulated depreciation			
Balance, beginning of year	(198,724)	(713,664)	(912,388)
Depreciation	(27,768)	(24,758)	(52,526)
Disposals	-	-	-
Balance, end of year	(226,492)	(738,422)	(964,914)
Net as at December 31, 2021	63,252	33,192	96,444

(in Euros)

8 Accounts receivable and accounts payable and accrued liabilities

a) Accounts receivable

	2022	2021
Secondment contributions (See Note 4)	70,808	-
Other	2,025	504
Total Accounts receivable	72,833	504

(in Euros)

b) Accounts payable and accrued liabilities

	2022	2021
Professional services	129,586	97,870
Occupancy (See Note 13)	75,958	55,896
Spanish Taxes (employee's income tax withheld) and Social Security	178,280	181,435
Contractual staff commitments (See Note 4)	42,089	13,361
Travel	6,129	910
Other	130,931	130,453
Total Accounts payable and accrued liabilities	562,973	479,925

(in Euros)

The balance of "Accounts payable and accrued liabilities - Others" of the detail above includes, primarily, the invoices pending receipt.

9 Prepaid expenses

Prepaid expenses comprise advance payments in the reporting period relating to services to be rendered in subsequent periods. They are carried on the balance sheet until the service is rendered and expenses are recognized in the income statement.

Detail of prepaid expenses at 31 December 2022 and 2021 is as follows:

	2022	2021
Travel booked in advance for subsequent periods	16,695	2,960
Professional fees and IT	163,368	170,388
Other	14,288	13,333
Total Accounts payable and accrued liabilities	194,351	186,681

(in Euros)

10 Information Included in the Statement of Cash Flows

The increases (decreases) in working capital items are detailed as follows:

	2022	2021
Accounts receivable	(72,329)	24,556
Prepaid expenses	(7,670)	(40,579)
Accounts payable and accrued liabilities	83,048	(6,992)
Contributions received in advance	40,387	42,565
Increases (decreases) in working capital	43,436	19,550

(in Euros)

11 Taxation

On 29 December 1999, the Spanish Parliament passed legislation (Law 55/1999), to exempt the Organization from Spanish income tax. On 23 November 2011, IOSCO signed a Headquarters Agreement with the Kingdom of Spain which also incorporates the same income tax exemption.

12 Government Assistance

Under the headquarters agreement, the Spanish Authorities grant IOSCO the right to use a 56% share of the 12 Oquendo premises free of charge, exclusive of non-structural maintenance costs (e.g., electricity, water, elevator maintenance). The estimated revenue in kind associated with the 56% share is €328,364 for 2022.

IOSCO has also entered into an agreement with the Spanish securities regulator, Comisión Nacional del Mercado de Valores (CNMV), under which the parties agreed that the CNMV would be responsible for meeting the costs of security and maintenance of security systems on the IOSCO premises; insuring the premises; and covering municipal and local property taxes. These revenues in kind have been estimated at € 99,763.10 for 2022 (€90,604.58 in 2021).

13 Rental and Maintenance

	2022	2021
Estimated Spanish Authorities' charges for non-structural maintenance costs (see Note 12)	76,031	55,896
Other external maintenance services	53,431	24,462
Total rental and maintenance	129,462	80,358
(in Euros)		

14 | 2015 Capacity Building Program

In June 2014, the IOSCO Board approved a pilot program for additional capacity building activities to be carried out by the General Secretariat. These activities included the creation of an Online Toolkit and the organization of two additional regional training seminars. These capacity building activities for IOSCO members are in addition to the long-standing and on-going IOSCO education and training activities.

The Board also agreed that the pilot program would be funded by a one-off contribution of €15,000 from each nominated member to the IOSCO Board, to be paid in 2015 as a supplement to their 2015 annual membership contribution fees. The IOSCO Presidents Committee ratified this agreement in its resolution 2/2014.

IOSCO received a total of €240,000 in 2015 from 16 nominated Board members.

The total costs incurred since the approval of the pilot program for CB activities is €228,056. During the course of 2017, the Board agreed to use the unspent funds to further enhance the pilot program. In 2019 IOSCO spent €105,575 to support and develop the pilot program. No costs have been incurred in 2020 and 2021.

The remainder of the 2015 CB program (€11,944) were allocated to other revenue in the 2022 budget, with the expenditure being added to the regular Capacity Building budget .

These funds of €11,944 were used to support the Capacity Building regular activities, and have been recognized as Other Income during 2022 (see note 3).

15 Capacity Building: Education and Training and Technical Assistance

The total costs incurred in Capacity Building activities in 2022, covering both Education and Training and Technical Assistance, is €133,102 (€167,737 in 2021). The expenditure in 2022 is line to 2021 explained by the cancelation or suspension of a significant number of projects and events, given the impact on travel restrictions caused by the COVID-19 pandemic.

IOSCO runs on an annual basis a comprehensive capacity building program aimed to assist IOSCO members with their training needs and to help them implement the IOSCO Principles and meet the requirements of the IOSCO Multilateral Memorandum of Understanding on Cooperation and Exchange of Information (MMoU).

These programs leverage on the experience and expertise at the IOSCO Secretariat and the IOSCO membership to promote market development and strengthen the regulatory and supervisory capacity of securities regulators.

In the area of education and training, IOSCO holds several important annual events, including the IOSCO/PIFS-Harvard Law School Global Certificate Program for Regulators of Securities Markets, the IOSCO Seminar Training Program, the Joint IOSCO-Financial Stability Institute Conference, the IOSCO Affiliate Members Consultative Committee Training Seminar and several workshops tailored to the Growth and Emerging Markets Committee of IOSCO.

IOSCO's Technical Assistance Program encompasses several programs, assistance and other capacity building tools, including: (i) technical assistance for members and non-members, (ii) Data Sharing Platform, (iii) Capacity Building Online Toolkit, and (iv) Capacity Building for Self-Assessments. It consists of modular technical assistance programs covering: (i) onsite inspection manuals, (ii) enforcement manuals, and (iii) the MMoU. The modular programs are designed to assist IOSCO members with the on-site inspection process for the supervision of investment firms and asset managers, during the enforcement process in their specific jurisdictions with detailed information about the approach to enforcement, conduct of investigations, investigative practices, cooperation, privileges and protection, and settlement.

In the area of enforcement and information exchange, IOSCO assists non-signatories of the IOSCO MMoU in their efforts to sign the MMoU by guiding them through the process. The assistance provided through the IOSCO General Secretariat provides procedural guidance and assists with progressing with their applications as soon as possible.

Additionally, IOSCO inaugurated its Asia Pacific Hub in Kuala Lumpur (the Hub) in March 2017. Hosted by the Securities Commission (SC) Malaysia, this initiative established IOSCO's first regional hub to deliver capacity building activities to securities markets regulators in a specific region. The running of the Hub does not have any financial implications for IOSCO. All costs related to the activities and operations of the Hub, including personnel, physical premises and facilities, maintenance, IT and other operating costs are supported by the host.

16 Auditors' remuneration

The total remuneration to be paid by IOSCO to its auditors in 2022 is € 11,132 VAT included (€11,715 in 2021 VAT included).

17 Subsequent Events

From the closing of the financial year 2022 to the date of preparation of these Financial Statements and explanatory notes, no relevant subsequent event has occurred that requires mentioning.

