

# IOSCO Research

**The Research Function of IOSCO was set up in 2010 under the Strategic Direction 2010-2015 to assist IOSCO in its efforts to identify, monitor and manage systemic risks. Since securities markets are characterized by rapid change and financial innovation, securities market regulators and IOSCO need to keep abreast of new products, business models, activities, participants and the potential systemic risks they may create. Research will help IOSCO focus its strategic policy agenda.**

IOSCO's Research Function consists of two branches that work in close co-ordination. The Standing Committee on Risk and Research (SCRR, to be renamed the Committee on Emerging Risks), chaired by Mr. Carlos Tavares, Chairman of the Portuguese securities market regulator, CMVM, is composed of senior research professionals from around 25 securities markets regulators, while the General Secretariat houses a small Research Department guided by the Head of Research, Mr. Werner Bijkerk.

In September 2012 the *IOSCO Securities Market Risk Outlook 2012* was published internally along with the *Risk Outlook Survey Report*. The next Risk Outlook is scheduled for publication in September 2013. Meanwhile the Research Department has been working on gathering information and data from the SCRR and other IOSCO experts, as well as from key experts in the market and the academic world, using an ample set of instruments: round tables, market intelligence, surveys and data search. In various occasions, it reported the main risks it found to the Board, other IOSCO members and stakeholders, including: (1) risks related to the low interest rate environment, (2) risks related to the stressed funding environment of financial institutions, (3) risks stemming from the derivatives markets (4) and cyber-crime.

In this respect, the SCRR and the Research Department have jointly developed a Risk Dashboard. This Dashboard presents a series of indicators mainly based on publicly-available data and a few commercial databases to which the Research Department has had access since early 2013 in order to monitor the developments in the securities markets and to help assess potential risks. The Dashboard helps inform the research function of IOSCO and the IOSCO members.

Additionally, the SCRR is currently producing draft guidelines for securities market regulators on how potential systemic risks can be identified, monitored and mitigated. This will include a methodology that will help define how a risk can become systemic in nature. The guidelines are meant to be a more detailed follow-up of the new IOSCO principles 6 and 7 on systemic risk and the regulatory perimeter, respectively.

Furthermore, at the time of publication of the annual report, the Research Department was expected to publish a staff working paper on the risks of cyber-crime. This paper is partly based on a survey of many exchanges and clearing houses that was a joint effort with the World Federation of Exchanges.

In its capacity as global standard setter of securities market regulation, IOSCO supports the global risk identification and mitigation efforts by the G20, the Financial Stability Board (FSB), the International Monetary Fund (IMF) and other global organizations that are tackling similar issues, but from different perspectives. Staff of the Research Department and the Chair of the SCRR provide regular input about potential systemic risks from a securities market perspective at different fora.

Ultimately, IOSCO's efforts towards identifying, monitoring and mitigating risks throughout the financial system should promote an appropriate degree of financial stability by curbing excessive risk taking, improving investor protection and facilitating capital formation.

