



## Report from the Chair of the IOSCO Board

### Greg Medcraft

- > Chair of the IOSCO Board
- > Chair, Australian Securities and Investments Commission

This year has, again, been one of considerable achievement for IOSCO.

**We have continued to develop policy and guidance of value to our members. We have continued to scan the horizon to understand and address the risks the markets we regulate face and pose. We have continued our work on supporting members in their efforts to build their regulatory capacity. Our implementation monitoring activity has intensified.**

Co-operation between our members has continued to strengthen.

We have played an increasingly active and vocal role in developing the global regulatory agenda in a year that has seen a greater focus by the Financial Stability Board and the G20 on the risks financial markets pose.

And finally, we have agreed a strategic direction to 2020, building on our many post-crisis achievements.

We have now much to be proud of as the proactive, forward-looking key global reference point for securities regulation.

These achievements are the result of a huge contribution from across IOSCO. I want, in particular, to thank Secretary General David Wright, his deputy, Tajinder Singh, and the IOSCO General Secretariat for their continuing commitment and hard work in supporting and driving this work.

I want to thank the leaders and members of our committees and task forces for their time and effort in developing and finalizing work of the highest quality.

I want also to thank the leaders and members of the Growth and Emerging Markets Committee, the Affiliate Members Consultative Committee and each of our regional committees for their sterling contribution, both in identifying the issues we need to prioritize and driving solutions.

I want also to thank the Board and particularly my Vice Chairs Howard Wetston and Ranjit Singh for their unerring support in carrying forward our heavy work agenda.

I want finally to thank Leonardo P. Gomes Pereira and the Brazilian CVM for hosting a particularly successful Annual Conference in Rio de Janeiro in September 2014.

Let me expand on what I see as each of our achievements.

## Our Achievements

### Supporting the FSB and G20 Agenda

Our **policy achievements** have been significant. As we come together in London for the IOSCO 2015 Annual Conference, we will be publishing our report on Credible Deterrence in Enforcement of Securities Regulation and will be about to finalize our report on Cross-Border Regulation. The guidance in these reports goes to the very heart of what we as financial services and markets regulators do in an increasingly globalized world. They provide food for thought for all of us and lay the foundation for an increasing alignment of our approaches.

We can also point to progress in other policy areas.

We have revised our *Code of Conduct Fundamentals on Credit Ratings Agencies*. We have developed a strategic framework for our work on investor



education and financial literacy. We have worked with the Basel Committee to develop criteria for simple, transparent and comparable securitizations. We have worked with the Committee on Payments and Market Infrastructures (CPMI) to address the risks posed by central counterparties, with important guidance published last year on the recovery of financial market infrastructures. We have developed risk mitigation standards for non-centrally cleared derivatives.

We continue work on cyber resilience, on audit quality, business continuity and recovery planning. In the asset management area, we continue work on custody and reducing reliance by asset managers on credit ratings.

#### Research and Risk Identification

We have also devoted much time and effort to **research and risk identification** to help us better understand the current and over-the-horizon risks we face globally.

At the Board level, we have held roundtables which have focused on two areas I believe pose important challenges for us – weaknesses in corporate governance and culture and the particular challenges posed by digital disruption.

Our Research Function published its well-received *Securities Markets Risk Outlook 2014-2015*, which again provided a thorough and unique perspective on

the risks we face across both developed and growth and emerging markets. Our Affiliate Members Consultative Committee has also been active in this area through the work of its Ahead of the Curve Working Group and its Task Force on Cyber Resilience.

#### Implementation Monitoring

This year has also seen the emergence of our **implementation monitoring work** as a key IOSCO activity. In the 12 months to July, we are aiming to have published eight reports on Thematic Reviews conducted by the Assessment Committee about implementation of IOSCO guidance in areas as diverse as financial benchmarks, money markets funds and disclosure regulation. With the CPMI, we have also published reports on the implementation of the *Principles for Financial Markets Infrastructure*.

These projects have each identified the further work needed by us and by those we regulate to implement reforms in what are priority areas.

We will also shortly publish the report of our first Country Review about Pakistan's implementation of IOSCO's *Principles of Securities Regulation*. Our work with our Pakistani colleagues shows the role Country Reviews can play in flagging gaps in regulation and regulatory capacity that need to be addressed to meet the international standards foreign investors want to see before investing in new and emerging markets.



### Capacity Building

We have also progressed IO스코's work to support building the regulatory capacity of our members. We are very grateful to our nominated Board members for their one off contribution to fund capacity building initiatives. These initiatives include the design and development of online tools and seminar programs in areas identified as priorities by our members. The Secretariat has progressed this work with plans to roll out final products by early 2016. Our thinking on the development of regional hubs has also progressed.

### Co-operation

**Co-operation** between our members has continued to strengthen. We now have 105 signatories to the MMoU. Members made more than 3,000 requests under the MMoU in 2014, up from 2,650 the year before.

We have progressed our thinking about enhancements to the IO스코 MMoU to reflect the many market and technological developments that have taken place in the years since it was first drafted in 2002.

Importantly we have also launched our Secondment Register, which will assist in identifying and meeting secondment opportunities across our membership.

### Engagement with the FSB and the G20

Our **role in the work of the Financial Stability Board and the G20** has also increased in the last year. This has been driven by their interest in understanding the risks posed by market-based finance and, more broadly, the markets we regulate.

Our challenge has been twofold. The first has been to ensure the tools and approaches we use and apply are understood before decisions are made about the need for and nature of any further work. The second has been to ensure we have a leading role to play in any further work that might be needed.

We have developed a strong voice in FSB meetings – at the plenary, steering committee and standing committee level. IO스코 members sitting on the FSB Plenary now meet in advance of meetings to co-ordinate our concerns and positions.

We have also pushed for our membership of standing committees to be increased. I am particularly pleased that Natasha Cazenave of the AMF France has been appointed co-Chair of the FSB Work Stream on Shadow Banking. This will help ensure our voice – the voice of experts - is heard.

We have also played a role in supporting the G20 Agenda on economic growth. Our report on *Market-Based Long-*



*Term Financing Solutions for SMEs and Infrastructure* published in September 2014 identified 20 innovative and effective uses of markets to finance SME's and infrastructure. It was well received and has provided us with a basis for actively participating in discussions at the G20 level, in particular on the role our markets should play in supporting economic growth.

### IOSCO 2020

And finally we have agreed a Strategic Direction to 2020. The Strategic Direction builds on and intensifies our very good work since 2010 across all our programs.

Importantly it highlights that what IOSCO offers our members is an integrated package of services – research and risk identification, guidance on regulatory approaches and support in implementing and administering that guidance.

I am confident that the Strategic Direction once executed will reinforce our position as the key global reference point for securities regulation, not only for our members but for our many stakeholders.

### The Year Ahead

We need to ensure that in the coming year we build on the achievements of this year. We need also to ensure

that we are disciplined about the projects we take on. They must be projects of real and lasting value to our members in addressing the challenges and risks we all face.

I will have three particular priorities as Board Chair in the coming year.

The first will be to ensure we closely monitor and address the challenges and opportunities posed by technological innovation and digital disruption. We took the first steps in this area with our roundtable at the Seoul Board meeting in February of 2015. We need to stay on top of these issues if IOSCO and our members are to remain ahead of the game.

The second is to ensure we continue to have a strong voice at the FSB and in other fora as approaches are developed to market-based finance. We must ensure that our expertise and our experience not only inform but are the basis for any work done in these areas.

The third is to continue to prioritize building the regulatory capacity and capability of our members from growth and emerging markets. This work will benefit all IOSCO members – whether from developed or from growth and emerging markets. It will help build a level regulatory playing field across global markets and so reduce regulatory barriers to cross- border activity.