

IOSCO's ROADMAP TO RETAIL INVESTOR ONLINE SAFETY

(For Publication)

Retail investor fraud has surged in the past decade, fueled by technological developments which are changing the way in which retail consumers interact with financial services and products. Online trading platforms, mobile apps, and social media have all created new avenues for scammers to target investors by promoting the offerings of securities and other financial products without the necessary regulatory stamps of approval.

These new trends are borderless and it has become increasingly clear that international coordination, both between regulators and with new actors such as internet service providers, is essential to combat this growing threat. IOSCO and its 130 members, representing 95% of securities markets, have, therefore, decided to join forces and act in the interest of ordinary investors.

Today's "**Roadmap to Retail Investor Online Protection**" lays out the core IOSCO initiatives that will be launched between Nov 2024-Nov 2025 with the aim of **combating online harm, fraud and misselling that have emerged because of changing market trends.**

Starting now and running to Q4 2025, this Roadmap will have a three-pronged strategy:

- (1) **Regulation, through the development of new standards to manage emerging trends.**
- (2) **Education, by raising awareness of investors.**
- (3) **Collaboration, both between securities regulators and with social media and other internet services providers.**

(i) Regulation: Setting the standards for a safer online marketplace

The rise of **Digital Engagement Practices (DEPs)** in financial markets has transformed how retail investors interact with investment products and services.

Market intermediaries now use DEPs to personalize recommendations, gamify trading experiences and deliver targeted content that enhances user engagement. **However, DEPs can encourage excessive trading, promote higher-risk products without fully disclosing the associated dangers, and create potential conflicts of interest,** as intermediaries may prioritize revenue growth over investor well-being.

To this end, **IOSCO will publish guidance to raise standards and facilitate regulatory alignment in this area.**

Key dates:

- Q4 2024: Consultation Report
- H2 2025: Final Report

In addition, and likely because of the COVID-19 pandemic, there has also been a rapid rise in the level of self-directed retail investor participation in financial markets. In response, providers of online financial services have rapidly expanded their offerings to cater to this growing segment, including the introduction and promotion of **copy trading platforms**.

Copy trading, which is generally focused on short-term strategies such as day and swing trading, typically involves high-risk markets such as foreign exchange, cryptocurrency and other complex and volatile products. While it offers the potential for gains, it also exposes ordinary, unexperienced retail investors to significant losses

In response to these heightened risks, **IOSCO will publish best practices on regulatory and supervisory approaches, focusing on how to effectively oversee and mitigate the risks associated with copy trading**, thereby ensuring greater protection for retail investors.

Key dates:

- Q4 2024: Consultation Report
- H2 2025: Final Guidance and Best Practices

A new trend in the last few years has been the emergence of **finfluencers** (individuals who share investment-related content on social media) with retail investors listening to their advice rather than relying on recommendations from professional, registered investment advisers.

Finfluencers spread information that ordinary investors may struggle to distinguish from regulated investment advice and may have their own undisclosed financial interests when promoting investment products without being subject to regulatory requirements. Wittingly or not, finfluencers may also disseminate misleading information or promote scams.

IOSCO will publish guidance aimed at protecting retail investors from unsuitable recommendations or potential harm from finfluencers.

Key dates:

- Q4 2024: Consultation Report
- H2 2025: Final Guidance

Finally, the emergence of new technologies and online platforms have also raised new regulatory challenges for **broker-dealers**. These broker-dealers are increasingly using various incentives and technological tools to attract new customers. These incentives are often subsidized by other hidden fees and charges, leading to potential conflicts of interest.

To address these concerns, **IOSCO will assess conflicts of interests** in online broker-dealer activities including payment for order flow, commission structures and other conflicts of interest, which may be hidden or not be readily apparent.

Key dates:

- Q1 2025: Consultation Report
- Q4 2025: Final Report

(ii) Education: Raising awareness about online harm, fraud and misselling

A critical component is empowering investors with the information they need to recognize and avoid risks associated with certain financial products and services offered to them online. Education from the ground up is key.

In parallel with its regulatory initiatives, IOSCO will launch a comprehensive series of investor education programs. IOSCO will also continue its collaboration with its 130 member jurisdictions during **World Investor Week 2025** (www.worldinvestorweek.org).

Key dates:

- Q3 2025

(iii) Collaboration: Combating online harm, fraud, and mis-selling together

Criminals are increasingly exploiting online platforms, using paid advertisements and user-generated content to target and defraud unsuspecting investors. The borderless and rapidly growing nature of online harm demands urgent collective action from regulators and online platform providers who need to work together to prevent the internet being a lawless space.

Throughout 2025, IOSCO and its members will actively engage with social media platforms and internet service providers to urge them to stop facilitating harm to ordinary investors. A key initiative in this effort is the launch of **IOSCO's Unauthorized Entity Warning System 2.0 - Enhanced Investor Alerts**.

The new system will aim to revolutionize the current approach, shifting from a model where investors must actively seek out information on unauthorized firms to one where third parties such as search engines, web browsers, social media platforms, and financial institutions can access the information instantly. This will enable these entities to proactively protect investors, by restricting, warning about, or eliminating harmful content from their platforms in real-time.

Key dates:

- H1 2025: Launch of the Unauthorized Entity Warning System 2.0
- H1 2025 onward: Engagement with internet service providers