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It's a pleasure to be here with you today; it's not my first time at an AFME Spanish Capital Markets Conference but it certainly is my first time as Secretary General of IOSCO.

Today, I will talk mainly about regulation, financial stability and capital markets: what we have achieved, the challenges that remain, and the broader risks shaping our priorities at IOSCO. But I also want to spend some time reflecting on how that changing environment is shaping Europe and, through it, Spain's very own markets.

History has shown us, time and again, that leverage combined with insufficient collateral, in certain scenarios, can destabilize even the most sophisticated financial markets.

We have seen this play out in a dramatic fashion, from the collapse of LTCM in the nineties to the Global Financial Crisis, and more recently in some pandemic-era market episodes. Each crisis or incident has left us with hard-earned lessons, pushing us to refine our regulatory frameworks and strengthen financial market infrastructure.

The financial meltdown of 2008 was not just about subprime mortgages—it was about hidden leverage, opaque counterparty exposures, and systemic interconnectedness.

In response, global policymakers launched a wave of reforms, spearheaded by IOSCO and CPMI, to bring more transparency, accountability, and resilience to financial markets

The post-GFC Reforms: Strengthening the system

A cornerstone of those reforms was the push towards central clearing. Several standardised and liquid OTC derivatives classes contracts were moved to central clearing and the parts of the markets that remained non-centrally cleared were subject to higher margin requirements.

With due regard to the fact that this change in market dynamics would increase the systemic risk linked to the resilience of CCPs, CPMI-IOSCO developed the Principles for Financial Markets Infrastructure ("PFMIs").

These PFMIs also included new requirements for payment systems, central securities depositories and securities settlement systems and for trade repositories. Changes took place in the non-centrally cleared markets too.

These reforms significantly reduced counterparty risk by increasing collateralisation. That has made the system more expensive, of course, but also significantly safer.

When the pandemic hit, it was the first real test of these post-crisis reforms. And it was quite a test. In Spain, the stock exchange had its biggest one-day drop since the IBEX was born.

The first lesson to be drawn is a positive one, and that is that the system, in particular the clearing houses and their clearing members, withstood perfectly what they were designed for: "extreme but plausible market conditions". The reforms implemented after the GFC were tested with live fire, successfully. And we should be collectively proud of that.

However, the episode revealed also that the very measures designed to reduce counterparty risk—margin calls and collateralisation—contributed to tensions in terms of liquidity in some market segments. For instance, the yield spike in Treasury and fixed income markets was partly driven by urgent liquidity needs of mutual funds as well as of leveraged investors such as hedge funds, mainly to post extra margin. As market participants scrambled for cash, pressure mounted in core funding markets, exposing new vulnerabilities.

The reforms, the mitigation of counterparty risk through collateralisation had in fact made the system safer, but challenges appeared in terms of liquidity demands from margin calls during times of very severe stress. The data collected was striking. Daily variation margin calls at CCPs surged sixfold from $25 billion to $140 billion between January and February 2020, while initial margin requirements rose by 40% in March. Variation margin calls also surged in non-centrally cleared markets, and initial margin requirements increased, though to a lesser extent than in cleared markets.

The story of money market funds experiencing liquidity pressures as investors seemed to redeem their shares to meet margin requirements is also well-known.

CPMI, IOSCO and BCBS jointly went back to the drawing board to explore lessons learned. We explored the dynamics between clearing members and their clients, the transparency of margin practices, the predictability of margin calls, and the overall market volatility across different jurisdictions. We also considered how prepared market participants were to meet those margin calls and assessed the availability of regulatory data across jurisdictions. And in those analysis, the interaction with market participants and associations were vital to evaluate the episode.

The conclusion was that the reforms were successful and that only fine-tuning was necessary, to cover better the liquidity angle.

So between CPMI, IOSCO and BCBS, we have released a few weeks ago three reports, each containing a set of policy recommendations, focused on three key themes:

First, enhancing transparency in initial margin calculations in centrally cleared markets – we address this, amongst other things, by asking CCPs to make their margin simulation tools available to all clearing members, and where feasible, to their clients as well and by asking clearing members to provide greater transparency to their clients regarding how margin requirements are calculated.

Second, streamlining variation margins by CCPs. They are important because they bring historic exposures back to zero as the market value of underlying positions evolves, thereby limiting counterparty risk. But they can also lead to liquidity strains depending on the size of the call and the readiness of the party who needs to post margins.

Third, increasing predictability in non-centrally cleared markets – The goal is to provide greater stability and preparedness for margin calls.

These refinements, alongside the FSB's recommendations on liquidity preparedness, have strengthened the margining framework. Our focus in 2025 will be on assisting in the implementation of these recommendations.

Leverage

The other main workstream at global level is related to leverage. Here there are also additional lessons we should learn from these past few years.

First, it has become evident that no market is exempt from the risks associated with leverage. No market, be it illiquid markets or markets with great liquidity in good times (like the US Treasury market) is completely immune to tensions when faced with a slowdown combined with high leverage.

Second, as in many cases, banks often find themselves at the heart of the crisis in so far as they found themselves taking on leverage on their balance sheet but also, often, supplying it. It can be financial leverage (through loans or repo) or synthetic leverage, through derivatives, but often you have a bank at the end of the chain.

This interconnection creates a propagation mechanism through counterparty exposures and interconnectedness.

And finally, while leverage always creates risks, these risks may hit harder when there is a lack of transparency about the levels of exposures – be it at the regulatory level or at the market level.

There is an important conversation ongoing at FSB level, with a consultation report published late last year, as to measures that regulators should have to better monitor --and eventually address—risks associated with excessive leverage.

The data El-dorado: monitoring systemic risk

If we cannot see where and how leverage is building up, we cannot detect and react to the risks it poses; if we cannot understand liquidity tensions in the market and at the level of participants, we cannot be certain that they can manage those risks either.

The first step has got to be greater transparency and better market understanding. This issue exists in the market itself.

The lack of data is also an issue for the regulatory community. Like it happens with surgery, the more the surgeon knows before-hand, the better the diagnostic image, the less invasive, the less costly and the more targeted will be his or her intervention. Only through appropriate regulatory data we will be able to have meaningful discussions and avoid too-broad or too blunt regulatory tools that might bring unnecessary or unintended costs to the system.

IOSCO intends to be a key actor to improve the understanding and the information at the disposal of both the regulatory community and market participants. For instance, many jurisdictions have reporting requirements for some parts of the investment funds industry. And IOSCO has been gathering, cleaning and aggregating non-confidential data for some years now through our Investment Funds Report. We have recently launched our first interactive Investment Funds Dashboard, which you can consult in our website.

This tool is a notable step forward in the analysis and transparency of global investment funds data. It is the first publicly available dashboard at global level to aggregate both public data and regulators data on investment funds, and provides

a comprehensive view of the industry, offering detailed data, including leverage, into individual jurisdictions and regions, types of funds and even strategies.

But even with tools like this Dashboard, there are still blind spots—family offices, sovereign wealth funds, some private funds operating beyond regulatory oversight or jurisdictions that do not have ongoing reporting requirements by asset managers. And in the asset management industry itself, there remains gap. By way of example, it is difficult to monitor liquidity risk without access to timely and granular data on issues such as net redemptions, portfolio data such as instrument type, portfolio liquidity at various points, data on the use of repos and derivatives, including margin requirements or even investor base to name but a few.

A case in point of the usefulness of investment fund data for supervision is Spain. In Spain, there is a reporting regime since the early nineties (to give you an idea, it started with 5 ¼" floppy disks, that's how old it is...). And it includes very granular data at individual fund level: end of month positions, line by line. That had some costs, no doubt, for the industry when it was established, but I would say those costs are completely sunk now and this reporting is just a by-product of internal valuation and control systems that all managers have to have. But it makes a huge difference for supervision and systemic risk monitoring. The supervisor, CNMV, can calculate and monitor exposures at fund, asset manager or sector levels, to a particular currency, a country, a counterparty, an issuer, a financial instrument or a combination of those. That is an invaluable tool to detect risks early on which, in turn, lowers the anxiety of the supervisor and of other supervisors and allows better financial stability discussions, avoiding rushed decisions based on incomplete data, which can have unintended consequences.

The message is clear. If asset managers want better regulation, if they want non-invasive policy measures and ask for regulatory interventions that cause the minimum possible costs, they need to be willing to report good, granular, timely data.

The other way around (less data, poorer policy decisions) is for sure worse for the system, the asset managers and, most importantly, the clients.

Data will undeniably form a big part of IOSCO's agenda in 2025.

Europe in Transition: Integrating Reform with Innovation

Let me just comment briefly on the situation in the EU. Europe is not immune to the current policy and political life cycle we find ourselves in.

For many years, Europe has aspired to build a fully integrated Capital Markets Union. In today's world, that is an even more urgent project.

The European Union is advancing the concept of a Savings and Investment Union, a proposal designed not only to boost the productivity of European companies and enhance the well-being of our citizens, but also to create an environment where innovation is at the forefront.

Everybody seems to agree on the objective, which is having deeper and more liquid financial markets for companies and better investments for European citizens.

Everybody acknowledges that certain areas need to improve significantly for that goal: fewer costs for companies to get listed, more incentives for savers to buy long term financial products, more connected markets, more consistent and convergent supervision, consolidation of infrastructures and of liquidity pools, etc.

Where the nuances start is what measures would have the greater impact; what is more relevant; what should be the priority actions. As anyone in this room, I have an opinion of what is the key factor and I would like to share it with you. If we compare Europe with the US, to me the main difference lies very obviously within one single factor: the volume of long-term financial investments of US citizens compared to Europeans. That is the game changer.

No matter how you measure it: financial investments over total net assets; financial investments over savings; market cap over GDP; investment portfolio size per person... On every single metric, Europeans invest way less than americans.

If Europe is able to move the needle on the proportion of savings that go into financial products and in the proportion of financial assets that go into equity, it will have set the basis for a long-term healthy course: both for citizens, companies and markets as a whole. The bad news is that the tools to operate in this space are not mainly within financial regulation. They have more to do with pension systems, tax incentives, financial literacy and competition, which are not the typical things that DG FISMA can address from Brussels.

My impression is that the other measures (supervision, greater integration of equity markets, some fine-tuning on the costs of being listed, some tweaks to securitisation rules), while important, will not be sufficient on themselves to change the paradigm and leave behind a situation of under-developed capital markets that drags the growth of the economy.

As for Spain, I would not like to pretend to know the key levers that need to be adjusted to improve the situation of markets. But I would dare to share two thoughts with you:

1. That national regulations have a very important role to play in the quest for an SIU. We have very successful cases of markets in the EU (like Sweden) that, with exactly the same markets regulation and the same level of fragmentation, have managed to have vibrant securities markets, almost US-style. So, as I frequently say, EU market rules are important, but they are not a silver bullet. That's why having a roadmap for reforms at national level, like the one proposed by the OECD in December, can be as important as the EU roadmap for improved regulation.
2. Not everything is about changing regulation. A lot of the market ecosystem is embedded in market practice, tradition or competition. And that is not

shaped by financial rules. For instance, re-thinking alternative protocols and timelines to conduct an IPO, like the CNMV is doing together with BME, is not about regulatory reform, but can be equally transformational for the activity in primary markets. Therefore, I think the pursuit of deeper markets also requires imagination and cooperation (between private and public sectors) beyond the usual regulatory discussions.

Conclusion

Let me conclude now.

I want to emphasize that the challenges we face today are as much about learning and adapting as they are about enforcing robust rules.

The past two decades have shown that financial markets are global—and so are their risks. Our work at IOSCO is aimed at ensuring that the benefits of increased resilience, through improved transparency, better data, and international standards, far outweigh the costs.

While there is a growing sentiment to reduce regulatory burdens—not also from the US but also within Europe—I remain convinced that robust international standards on key areas are a regulatory advantage.

They not only reduce risks for investors and the system as a whole, but also lower costs by facilitating cross-border liquidity, harmonising access requirements, increasing netting efficiencies, and allowing mutual regulatory recognition.

In these evolving times where globalisation and good old-fashioned cooperation may seem at risk, I remain confident that through collaboration, we can build financial systems that are open, liquid, and safer for all, allowing our economies to grow.

Thank you.

Rodrigo Buenaventura, Secretary General, IOSCO