

## **IOSCO takes a leading role in addressing some of the most pressing challenges facing the financial sector**

### **Key IOSCO priorities for 2023 and their implications for the EU financial policy agenda**

Needless to say, the financial sector has become increasingly interconnected over the past decades. This presents global challenges, such as those relating to financial stability, but also opportunities, provided we are able to formulate globally coordinated and consistent responses to these challenges as regulators.

The IOSCO membership of securities supervisors regulates more than 95% of the world's financial markets across 130 jurisdictions, including more than 90 members from Growth and Emerging Markets. This feature makes IOSCO unique amongst other financial standard setters in its ability to reach jurisdictions.

It is my view that despite the risks of fragmentation arising from geopolitical tensions, global trends within our remit, such as crypto-assets or climate change risks, can benefit from a globally coordinated response. Since my appointment as IOSCO Board Chair in October 2022, I have stressed the importance of delivering on previously identified priorities relating to sustainable finance, crypto-assets, and Non-Bank Financial Intermediation. Our recently published work programme for 2023-2024 reflects our determination to focus our resources and attention on these key priorities. Our Financial Stability Engagement Group will continue to help advance IOSCO's role in shaping international discussions on financial stability risks in the capital markets, as well as enhance IOSCO's working relationship with the FSB and other international standard-setting bodies.

Firstly, IOSCO is focusing on sustainable finance, with the aim of protecting investors by mitigating greenwashing and promoting well-functioning carbon markets that operate with integrity. Secondly, IOSCO will contribute to the swift rollout of global crypto-asset policy standards, critical in light of the crypto winter and most recently the collapse of FTX. In this regard, we will soon launch a consultation with the aim of releasing final policy recommendations before the end of the year. Thirdly, IOSCO is conscious of the structural vulnerabilities within NBFIs, including liquidity and leverage risks. We will take further steps in 2023 to ensure that robust liquidity management frameworks are in place, both at the design phase and in the day-to-day operations of investment funds, to address vulnerabilities arising from non-bank financial intermediation.

### **Priorities and actions to mitigate greenwashing and protect investors**

I spoke at COP27 in Sharm-al-Sheikh to underline that sustainability disclosures can make a significant difference in combating climate change and here, IOSCO and securities regulators can and will play an important role in supporting the transition to a low carbon economy. As securities regulators, our view is that climate-related risks are a source of financial risk that can affect not only specific firms or sectors but, more broadly, the stability of the financial system as a whole and can be a source of significant investor harm through greenwashing.

This issue is therefore relevant to all the three IOSCO core objectives of (1) protecting investors, (2) ensuring fair, efficient and transparent markets, and (3) reducing systemic risk.

We aim to protect investors against the risks of greenwashing in financial markets by contributing to the development of sustainability disclosure standards that benefit issuers and investors alike. I welcome the efforts of the standard setters that are likely to result in both sustainability-related disclosure standards and related assurance standards to be ready for use by corporates for their end-2024 accounts.

This is in response to the significant investor demand for high quality and reliable sustainability disclosures. We need a global language for sustainability disclosures to replace the current alphabet soup of private disclosure frameworks, in order to promote greater consistency and comparability of disclosures.

We therefore welcome the International Sustainability Standards Board's commitment to publishing its global standards for climate disclosures and general requirements in Q2. Once they have been released, it will be IOSCO's responsibility to consider potential endorsement of the ISSB standards. A potential endorsement should be a game changer and give impetus for the adoption or use of the first global and inclusive framework for sustainability-related disclosures by corporates.

Three factors will be key to achieving global uptake. First, maximising interoperability between the global framework and jurisdictional frameworks will be an important factor. Second, IOSCO will be receptive to the mechanisms designed to allow for a sufficient degree of proportionality to ensure all jurisdictions can get on board. Third, we see merit in building in limited flexibility for some disclosure requirements, in order to alleviate legitimate concerns relating to data availability and the preparedness of companies to comply in a timely manner. This takes into account the reality that, while the direction of travel is the same, we may not all travel at the same speed.

We are in constant dialogue with the ISSB, and I welcome their determination to address global entities' diverse levels of ability and preparedness to implement the final standards.

### **Crypto-assets, stablecoin and DeFi**

Another area of focus for IOSCO is the regulation of crypto-assets in order to deal with the severe investor protection and market integrity risks crystallising in this market.

IOSCO has been, and continues to be, deeply involved in the global response to risks, issues and vulnerabilities in the crypto-asset markets, having first identified this area as a corporate priority in 2017. Following an intense period of regulatory risk analysis, information sharing and capacity building, where we concentrated on understanding market functioning and assessing the risks to our regulatory objectives, we have now shifted gears and have moved into policy development to address the very clear and present risks to investor protection and market integrity.

Increasing numbers of securities regulators around the world agree that investor protection, market integrity and financial stability issues relating to crypto-assets are already within their regulatory remit. About a year ago, IOSCO established a Board-level taskforce to lead its regulatory policy agenda with respect to fintech, which consists of two work streams: Crypto

and Digital Assets (CDA) and DeFI. In light of recent developments and the risks arising from intermediation and centralisation in the crypto asset market, we have accelerated work on CDA with a view to developing a detailed set of global principles for regulating crypto-assets and related service providers by year-end.

In December 2022, the FSB Plenary re-emphasised the urgency of advancing the FSB's financial stability-focussed policy work programme, and that of the standard-setting bodies like IOSCO, to establish a coordinated global framework of regulation and supervision for crypto-assets, including in non-FSB member jurisdictions. The complementarity of the expertise of central banks, securities and market regulators, and treasuries is more critical than ever. We are working together in a collaborative spirit.

We bear responsibility for translating the basic key tenets of our globally recognized standards for capital markets regulation to crypto-assets and their service providers. We examine substance over form when it comes to innovations, in order to focus on underlying economic attributes and behaviours and to deliver the right regulatory outcomes from a policy and implementation standpoint. Our policy approach follows the paramount principle of same activity, same risk, same regulatory outcome informed by our expertise as securities markets regulators.

We will be issuing a public consultation in the coming months, which we expect to attract significant attention. I cannot emphasise enough the importance of delivering a coordinated and comprehensive framework for crypto-assets in a way that adequately protects investors.