

Better Finance: International Conference on the EU Retail Investment Strategy

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Keynote speech

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Dear participants,

It is a pleasure and a privilege to stand before you here to speak about a topic that lies close to the heart of many present here today – myself included.

In my capacity as chair of IOSCO, the global membership organization whose members regulate more than 95% of the world's financial markets in some 130 jurisdictions, I will address the important topic of retail participation in global capital markets from a more international perspective.

Safeguarding the interests of retail investors is indeed a core objective for IOSCO and a necessary prerequisite to help sustain retail investors' interest and trust in capital markets.

IOSCO report on retail market conduct

Only recently, on 30 March, IOSCO published its final report on retail market conduct. This report not only highlights a wide range of current retail trends, but it also identifies sources of potential retail investor harm in an increasingly online environment.

Technological developments are permanently changing the way in which retail consumers interact with financial services and products. We live in a world where social media is now a major - in some case the most important - source of information for retail investors.

It is clear that the increasing digitalization of financial services and the ever-greater use of online distribution methods also provide fraudsters with easier and cheaper ways of spreading their false communications to a wider target audience.

More and more, digital promotions and online marketing are used to facilitate fraudulent activities. Crypto-asset scams and greenwashing practices are two important examples of misconduct arising from such global trends and technological developments.

To respond to these challenges, IOSCO is convinced that regulators need to address retail investor harm at its root. For instance, regulators need to employ and master the same technological tools as those used by market actors. This in order to more effectively track and intervene in cases of fraudulent online marketing channels.

Persistent challenges – such as the ones we face today - require a coordinated regulatory response. This is why the importance of

reinforcing cooperation on enforcement of cross-border misconduct cannot be underestimated.

Combatting financial fraud on a global scale requires global cooperation. The report therefore also includes a toolkit which outlines several adaptable measures for regulators to consider when dealing with retail market conduct issues. For instance, (i) heightening regulators' digital presence and online strategy to proactively address retail investor harm; (ii) honing approaches to better identify and mitigate misconduct; (iii) enhancing cross-border and domestic supervision (iv) implementing new regulatory approaches against retail misconduct and (v) addressing retail investor harm that stems from crypto-assets.

IOSCO recommendations for the regulation of crypto-assets

Let me now briefly turn to crypto-assets.

To mitigate the risk that crypto-assets can pose in term of retail investor harm, IOSCO recently launched a consultation on detailed recommendations to jurisdictions worldwide on how to regulate crypto-assets and adequately address the risks they pose.

This is a major initiative designed to improve global standards for the regulation of crypto-assets. In its recommendations, IOSCO sets out how clients should be protected and how crypto-trading should meet the standards that apply in public markets.

What we are proposing is a real turning point for crypto-assets. And the timing could not be better, because the time has come to put an end to the risks of regulatory arbitrage surrounding crypto activities. There is general consensus on this at the global level,

as evidenced by a recent G7 statement. This is the first time such a globally consistent framework is being proposed for crypto-assets in order to protect investors. IOSCO's proposal is thus a real game changer.

The recommendations stem from a very straightforward principle: *same activity, same risk, same regulatory outcome* and proposes, amongst other things, to address issues such as conflicts of interest and the safe custody of client money and assets. Crypto-asset service providers need to address unacceptable conflicts of interest and take far more seriously the right of clients to have their monies and assets carefully safeguarded and accounted for.

I am confident that these recommendations will mark a turning point in addressing the very clear and proximate risks to investor protection and market integrity that crypto-assets pose.

The consultation runs until the end of July. The aim is to have a full set of recommendations after the consultation, which can then be applied across IOSCO jurisdictions. The strong support of the IOSCO Board and its members will ensure the timely implementation of the recommendations by all IOSCO members. This will limit the risk of regulatory arbitrage.

Strengthened cooperation while supervising by means of a global framework will contribute to better protection for investors. It will also form a credible deterrence against non-compliant players.

It is time to work together across borders and various jurisdictions to ensure that retail investor protection and market integrity are upheld in the crypto-asset markets as well.

Empowerment of retail investors through financial education

Retail investor protection should focus not only on protecting these investors, but also on empowering them through financial education. Increasing the financial literacy of retail clients is key to providing them with a better understanding of how to invest responsibly and to achieve the right balance between the risks and benefits involved. Through its annual World Investor Week campaigns, IOSCO focuses on raising awareness of the importance of investor education and protection on a global level.

In that regard, I can also speak to you from the perspective of the chair of the Belgian FSMA, whose mission statement has long included contributing to the improvement of financial education. Our Wikifin Financial Education Lab receives students from all over the country on a daily basis.

Enabling the financial consumers of today but also of tomorrow to gain a better understanding of the financial markets and the products that are proposed to them will enhance trust in the financial system and stimulate its further development.

It is a very positive sign that in the many proposals contained in the Retail Investment Strategy RIS, financial education has also found a place.

In that regard, IOSCO and EU share the same objective of protecting and empowering retail investors in order to foster and further improve trust in capital markets.

Thank you for your attention and I wish you all a good panel discussion.

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