

MEMO# 32235

February 24, 2020

IOSCO Announces Work Program for 2020

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February 24, 2020 TO: ICI Global Members SUBJECTS: International/Global RE: IOSCO Announces Work Program for 2020

The International Organization of Securities Commissions (IOSCO) recently issued its work program for 2020 which identified six priority issues, briefly described below.[\[1\]](#) IOSCO will also continue various other workstreams and projects, such as those related to the IOSCO Sustainable Finance Network (SFN). In addition, IOSCO will remain focused on systemic risk in capital markets across its different work streams and engage with the Financial Stability Board and other relevant bodies.

Passive Investing and Index Providers

IOSCO is developing a thematic analysis on the impact of the growth of passive investing on equity capital markets. This analysis will:

- provide an overview of the increase in passive investing and its drivers;
- examine its impacts on market efficiency and corporate governance; and
- examine the consequences of the interplay between active and passive funds with regard to how investors collectively pay for efficient and effective markets.

A report to the Board, expected in late 2020, will discuss these analyses and identify the potential implications of passive investing for financial regulation.

The IOSCO Board, in December 2019, approved a mandate for a review of conduct-related issues with respect to index providers. This year, IOSCO will survey its members and engage with stakeholders to explore issues regarding the role of asset managers in relation to indexes and index providers, and the role and processes of index providers in the provision of indexes. This review will include the potential impact of administrative errors on funds and identifying potential conflicts of interest that may exist at the index provider in relation to the fund.

Crypto-Assets

IOSCO has identified various concerns relating to crypto-assets trading, custody and settlement, accounting, valuation and intermediation and in May 2019 published a consultation report on “Issues, Risks and Regulatory Considerations Relating to Crypto-Asset Trading Platforms.” The final report will be published in February 2020. IOSCO is

additionally finalizing in 2020 a regulatory risk review examining potential regulatory considerations around investment funds with exposures to crypto-assets.

Market Fragmentation in Securities and Derivatives Markets

IOSCO issued in June 2019 a report on Market Fragmentation and Cross-border Regulation in which it identified practical steps that could be taken to further strengthen cooperation between regulatory authorities and assist regulators in addressing the adverse effects of market fragmentation. In 2020, IOSCO intends to issue a report on good practices in relation to processes for deference and review the use of supervisory colleges and other mechanisms of cooperation to enhance supervisory cooperation.

Artificial Intelligence and Machine Learning (AIML)

IOSCO issued a report in 2019 to members that explored the potential risks, benefits, and opportunities of AIML, with a focus on the ethical use of AIML techniques in capital markets. Subsequently, IOSCO developed proposed guidance for regulators on issues to consider when regulating market participants' use of AIML and will be consulting on these measures in early 2020 with a final report expected by the end of the year.

Retail Distribution and Digitalization

IOSCO held an industry roundtable in 2019 to understand issues related to online marketing and distribution of investment products and services, including new and high-risk products. This year, IOSCO intends to develop a toolkit of policy measures to address and mitigate the risks posed by online cross-border marketing and distribution.

Corporate Debt and Leveraged Finance

IOSCO has concerns about the potential conduct-related risks that may exist in the current corporate debt and collateralized loan obligations (CLO) markets and their implications for market integrity in the event of an economic downturn. IOSCO intends to focus its attention on the risk created by current origination practices, chains of intermediation in the corporate debt market, and associated conflicts of interest.

Asset Management-Related Topics

IOSCO has been engaged on the following topics related to asset management and intends to continue work on these issues:

- Liquidity risk management – IOSCO will begin a thematic review of the implementation of the 2018 Liquidity Risk Management Recommendations;
- Global leverage in investment funds – IOSCO will begin aggregating data in 2020 about leverage trends in funds and IOSCO's first report (which will be developed over time and expanded to include more jurisdictions) is scheduled to be published in 2021; and
- ETF marketplace – IOSCO is continuing to analyze the ETF market on both market-facing (arbitrage and trading) and investor related issues, including potentially updating IOSCO's 2013 ETF principles.

Sustainable Finance Network

IOSCO established the Sustainable Finance Network (SFN) in October 2018, chaired by the head of the Swedish securities regulator. The SFN is intended to provide a platform for IOSCO's members to share their experiences and discuss sustainability-related issues. The SFN is currently undertaking two workstreams. SFN Workstream #1 is doing a mapping exercise of all regulatory initiatives on sustainable finance. SFN Workstream #2 is

reviewing the work of standard-setting bodies with respect to corporate disclosure, ESG integration, and taxonomy. The SFN will present its conclusions in a report to the Board of IOSCO in February, and we expect the report will become publicly available in March.

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endnotes

[1] IOSCO's work program for 2020 is *available at*
<https://www.iosco.org/library/pubdocs/pdf/IOSCOPD648.pdf>.

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