

Ladies and Gentlemen,

It is an honour to address you today.

The Friday programme at Eurofi is traditionally focused on monetary policy and banking regulation. But given the growing importance of non-bank finance and its ramifications within the financial systems, it is perhaps timely to invite me today to speak on behalf of IOSCO that stands for the community of financial markets regulators.

We live in a time when the global financial landscape is more interconnected than ever before. The international regulatory agenda after the 2008 financial crisis rightly focused on how to strengthen resilience and reduce risks in the banking system. But over the past decade, non-bank finance has grown significantly across all continents to 43% of global financial assets, and is creating new challenges that securities regulators are facing head-on.

IOSCO is uniquely placed to coordinate and bring forward collaborative solutions to global developments such as sustainable finance and developments arising from financial innovations such as crypto-assets, tokenisation or artificial intelligence that have global roots and present challenges that must be confronted cohesively. These global outcomes strongly inform the EU agenda.

The power of collective efforts

As a global standard-setting body, IOSCO has always championed international collaboration. But it is fair to say that our efforts have reached new heights in recent years. In a complex and fast-changing financial environment, no single jurisdiction can tackle challenges alone.

1. Whether we talk about tackling liquidity or leverage risks arising from the growth of non-bank financial intermediation;
2. Whether we talk about new forms of risk arising from new technologies, or
3. Whether we talk about enhancing consistency, reliability and comparability of sustainability information in the interest of investors and issuers ...

it is clear that the issues we face are global, and that they require a coordinated response. With a membership which regulates more than 95% of the world's securities markets in some 130 jurisdictions, IOSCO is well placed to provide such a response.

The endorsement of the International Sustainability Standards Board (ISSB) standards is a powerful example of IOSCO's ability to deliver such a coordinated response. This endorsement has driven more than 20 jurisdictions to take steps to integrate these standards in their regulatory regimes in just one year! Together, these jurisdictions represent over 40 % of global market capitalisation.

Days after IOSCO endorsed the ISSB standards, the European Commission adopted its European Sustainability Reporting Standards (ESRS), in which they made significant strides to integrate the ISSB disclosure requirements, bringing all 27 Member States of

the European Union into the global wave of support for the ISSB standards around the world.

This rapid and widespread progress illustrates the importance of global cooperation in addressing the urgent need for transparency in sustainability reporting. It highlights what we can achieve when we work together towards a common goal.

In another area of sustainable finance, IOSCO's principles on ESG ratings are informing reforms in key jurisdictions. Under the Belgian Presidency, the EU became one of the first regions to introduce binding requirements taking into account these IOSCO principles.

Addressing cross-border risks

IOSCO's ability to bring together regulators, policymakers, and industry leaders from around the world allows us to develop solutions that are globally consistent and locally relevant.

Take, for example, our work on crypto-assets. The rapid growth of these assets has brought new challenges for regulators. Without a coordinated international approach, there is a risk of creating regulatory arbitrage. Different rules in different jurisdictions could significantly harm both retail and non-retail investors.

We continue to monitor areas of risks of market fragmentation and we benefit from the invaluable insights of our affiliate members, including industry associations and stakeholders. These reports highlight how market fragmentation can undermine financial stability and efficiency, orderly functioning of markets and investor protection. This kind of input from our broader community is unique to IOSCO and is instrumental as we seek to develop policies that promote a more integrated and resilient global financial system.

Bringing convergence in the regulatory treatment of crypto-assets across our 130 members has also been a priority and our publication of recommendations for the regulation of crypto- and digital assets was only the first step. An important step, yes, but it is not enough. Implementation, where appropriate according to national regulatory decisions, is the next key step.

Moreover, we are working closely with other international bodies, such as the Financial Stability Board (FSB), the World Bank, and the IMF, to ensure that our recommendations are recognised as the gold standard, and that other global bodies support their adoption by jurisdictions, where necessary. This collaboration is essential to ensure that we have a coherent and comprehensive framework to address the risks posed by these new financial instruments and intermediaries. I believe that when the EU decides to review MICA, it should look to the IOSCO standards for inspiration

Identifying and addressing emerging risks

IOSCO takes a structural approach to identify vulnerabilities and risks within the global financial system within its remit. We draw on input from our regional committees to ensure the diverse perspectives from our 130 members are taken into account. The findings of this risk outlook will shape our next work programme, guiding IOSCO's efforts to address the most pressing challenges facing global financial markets.

One can naturally expect Artificial Intelligence to become a major point of attention, and many jurisdictions such as the EU have already begun to consider the risks and

opportunities attached to the use of Artificial Intelligence in financial services. I have no doubt that they will be looking to IOSCO as they consider how to best approach these issues.

A new era of collaboration

We are now entering a new era of collaboration, not only across IOSCO's membership but also with other global standard-setting bodies. Our enhanced cooperation with the FSB, the International Monetary Fund (IMF), the World Bank, the Organisation for Economic Co-operation and Development (OECD) and others, has strengthened IOSCO's role in the international financial regulatory system. Our work as IOSCO, but also with the FSB, directly contributes to the G20, as evidenced by the FSB Chair's regular letters to the G20 Leaders

This collaboration is crucial. It allows us to leverage each other's strengths and expertise, leading to more robust and effective regulatory outcomes.

IOSCO's standards are recognised as key pillars in the architecture of global financial regulation. They enhance trust in the financial system. They provide jurisdictions with the tools they need to develop their financial ecosystems in a resilient and inclusive way.

Guidance for the European debate

For those involved in the European debate around the Capital Markets Union (CMU), I encourage you to closely monitor IOSCO's regulatory initiatives. Our work can provide valuable insights and solutions to help shape the future of capital markets. One area where IOSCO is leading important work, is in retail investor protection. This is crucial to the success of any financial system. IOSCO's initiatives could serve as a source of inspiration as Europe continues to develop its capital markets.

The CMU aims to deepen and integrate the capital markets of the European Union. It seeks to make it easier for companies to raise funds and for investors to access diverse opportunities. As Europe moves towards this goal, the lessons learned from IOSCO's initiatives, particularly in investor protection, can provide valuable guidance.

Conclusion: global solutions for global challenges

In conclusion, IOSCO's commitment to international cooperation has never been stronger. As we navigate this new era of global finance, we must continue to join forces and leverage IOSCO's convening power. The challenges we face are global in nature, and so, too, must be our solutions.

I encourage you all to stay engaged with IOSCO's work. Consider how our initiatives can inform and inspire your own efforts. Together, we can build a more resilient, transparent and inclusive financial system that serves the needs of all.

Thank you.

Jean-Paul Servais

Chair of the Board of IOSCO

13 September 2024