



Weekly Bulletin for IOSCO Members – 3

19-26 January 2022

I. IOSCO News

- A. The voting period for the Committee 2 Vice Chair position ended on 25 January 2022, at 3pm CET. **The Board elected Pi Liuyi (CSRC China)** as Committee 2 Vice Chair for the remainder of the term 2020-2022.
- B. *ESG market relies too much on ratings, says IOSCO*, interview with IOSCO Secretary General Martin Moloney, International Financing Review, 21 January
<https://www.ifre.com/story/3219623/esg-market-relies-too-much-on-ratings-says-iosco-sqhy5f0hfw>

II. Member News

- A. *SEC Proposes Amendments to Enhance Private Fund Reporting*, press release, US Securities and Exchange Commission, 26 January
“The proposed amendments would require current reporting for large hedge fund advisers and advisers to private equity funds. These advisers would file reports within one business day of events that indicate significant stress at a fund that could harm investors or signal risk in the broader financial system. The proposed amendments would provide the Commission and FSOC with more timely information to analyze and assess risks to investors and the markets more broadly.”
https://www.sec.gov/news/press-release/2022-9?utm_medium=email&utm_source=govdelivery
- B. *IMF Executive Board Concludes 2021 Article IV Consultation with El Salvador*, press release, 25 January
“Since September 2021, the government has adopted Bitcoin as legal tender. The adoption of a cryptocurrency as legal tender, however, entails large risks for financial and market integrity, financial stability, and consumer protection. It also can create contingent liabilities.

...Directors agreed on the importance of boosting financial inclusion and noted that digital means of payment—such as the Chivo e-wallet—could play this role. However, they emphasized the need for strict regulation and oversight of the new ecosystem of Chivo and Bitcoin. They stressed that there are large risks associated with the use of Bitcoin on financial stability, financial integrity, and consumer protection, as well as the associated fiscal contingent liabilities. They urged the authorities to narrow the scope of the Bitcoin law by removing Bitcoin’s legal tender status. Some Directors also expressed concern over the risks associated with issuing Bitcoin-backed bonds.”

<https://www.imf.org/en/News/Articles/2022/01/25/pr2213-el-salvador-imf-executive-board-concludes-2021-article-iv-consultation>

The *I.M.F. urges El Salvador to end its embrace of crypto as Bitcoin tumbles*, article, New York Times, 25 January

<https://www.nytimes.com/2022/01/26/business/bitcoin-el-salvador.html?searchResultPosition=4>

C. *Disrupted Global Recovery*, blog, International Monetary Fund, 25 January

“Growth slows as economies grapple with supply disruptions, higher inflation, record debt and persistent uncertainty.”

https://blogs.imf.org/2022/01/25/a-disrupted-global-recovery/?utm_medium=email&utm_source=govdelivery

D. *The CSSF published a white paper on DLT and blockchain*, Luxembourg, Commission de Surveillance du Secteur Financier (CSSF), 24 January 2022

“In light of the many questions surrounding Distributed Ledger Technology (DLT) and blockchain, the Commission de Surveillance du Secteur Financier (CSSF) is sharing its advice on assessing the risks when designing or implementing a project using DLT by publishing a white paper.”

<https://www.cssf.lu/en/2022/01/the-cssf-published-a-white-paper-on-dlt-and-blockchain/>

E. *Environmental, Social and Governance (ESG) Rating Providers for Securities Markets*, consultation paper, Securities and Exchange Board of India, 24 January

“...since the activities of ESG ratings providers (ERPs) are typically not subject to regulatory oversight at present, increasing reliance on such unregulated ESG rating providers in securities markets raises concerns about the potential risks it poses to investor

protection, the transparency and efficiency of markets, risk pricing, and capital allocation, among others. Moreover, a lack of transparency in this area gives rise to the risk of greenwashing and misallocation of assets which could lead to infirmity in such ESG rating and a consequent lack of trust thereof. Therefore, there arises an imperative need, more than ever before, to ensure that the providers of such products operate in a transparent and regulated environment that balances the needs of all stakeholders. In this context, SEBI, through this consultation paper, is seeking public comments on a proposed regulatory framework to regulate ERP and oversight there on, periodicity of such disclosure etc.”

https://www.sebi.gov.in/reports-and-statistics/reports/jan-2022/consultation-paper-on-environmental-social-and-governance-esg-rating-providers-for-securities-markets_55516.html

F. *Cybersecurity and Securities Laws*, speech by US SEC Chair Gary Gensler, at the Northwestern Pritzker School of Law’s Annual Securities Regulation Institute, 24 January

“The interconnectedness of our networks, the use of predictive data analytics, and the insatiable desire for data are only accelerating. State actors and non-state hackers alike sometimes try to target various entities and businesses. Why? To steal data, intellectual property, or money; lower confidence in our financial system; disrupt economies; or just demonstrate their capabilities. All this puts our financial accounts, savings, and private information at risk.

The economic cost of cyberattacks is estimated to be at least in the billions, and possibly in the trillions, of dollars. Hackers have attacked broker-dealers, government agencies, meat processors, and pipelines. These attacks can take many forms from denials-of-service to malware to ransomware.

It’s not just the economic cost, of course. Cybersecurity is central to national security. The events of the past couple of weeks in Russia and Ukraine have once again highlighted the importance of cybersecurity to our national interest.”

<https://www.sec.gov/news/speech/gensler-cybersecurity-and-securities-laws-20220124>

G. *ESMA launches a Common Supervisory Action with NCAs on valuation of UCITS and open-ended AIFs*”, press release and report, European Securities and Markets Authority, 20 January

“The European Securities and Markets Authority (ESMA), the EU’s securities markets regulator, is launching a Common Supervisory Action (CSA) with National Competent

Authorities (NCAs) on the valuation of UCITS and open-ended Alternative Investment Funds (AIFs) across the EU.

The CSA aims to assess compliance of supervised entities with the relevant valuation-related provisions in the UCITS and AIFMD frameworks, in particular the valuation of less liquid assets, and will be conducted throughout 2022....

...The current economic conditions underline the importance of assessing valuation risks which may pose a potential threat to financial stability and this exercise is of utmost importance to effectively address this risk at EU level.”

<https://www.esma.europa.eu/press-news/esma-news/esma-launches-common-supervisory-action-ncas-valuation-ucits-and-open-ended>

H. FCA review finds evidence of growing competition in retail banking, press release, UK Financial Conduct Authority (FCA), 20 January 2022

“Greater competition in retail banking is driving choice and lower prices for consumers and small businesses, despite the financial impact of the pandemic. In an update to its 2018 strategic review of retail banking, the FCA found that, while still strong, there are signs large banks’ historic advantages are starting to weaken, driven by digital innovation and changing consumer behaviour. The economic environment – in particular, sustained low interest rates – has also constrained banks’ financial returns.”

<https://www.fca.org.uk/news/press-releases/fca-review-evidence-growing-competition-retail-banking>

III. Financial Stability Board/Bank for International Settlements

A. BIS Innovation Hub to focus on CBDC, payments, DeFi and green finance in 2022 work programme, press release, Bank for International Settlements, 25 January

“In 2022, the Bank for International Settlements (BIS) Innovation Hub will launch new projects into central bank digital currencies (CBDCs), next generation payments systems and Decentralised Finance (DeFi), expanding its portfolio of explorations seeking to develop new technological public goods for central banks. The Innovation Hub's work programme will also see new projects in green finance, regulatory and supervisory technology and cyber security.”

<https://www.bis.org/press/p220125.htm>

- B. *Gatekeeping the gatekeepers: when big techs and fintechs own banks – benefits, risks and policy options***, FSI Insights No 39, Bank for International Settlements (BIS), 20 January

“FSI Insights No 39, January 2022. The latest FSI Insight looks into the strategies that authorities can employ to meet those challenges and the implications for public backstops.”

<https://www.bis.org/fsi/publ/insights39.pdf>

IV. Other News

- A. *ESRB recommends increasing the resilience of money market funds***, European Systemic Risk Board (ESRB), 25 January

“The European Systemic Risk Board (ESRB) has today published a policy recommendation aimed at increasing the resilience of money market funds. As the financial market turmoil of 2020 showed, the regulatory changes that followed the global financial crisis did not go far enough in terms of mitigating systemic risks in the money market fund sector. Consequently, the ESRB is now recommending policy reforms aimed at addressing the remaining sources of systemic risk, which will also reduce the need for central bank intervention in crisis situations. The ESRB’s recommendation builds on its issues note of July 2021 on money market funds, which sets out its analysis of systemic vulnerabilities. It also reflects policy discussions at the international level, including the Financial Stability Board’s proposals of 11 October 2021.”

<https://www.esrb.europa.eu/news/pr/date/2022/html/esrb.pr.220125~32ad91c140.en.html>

- B. *China’s New Rules for Large MMFs Could Reduce Systemic Risk***, press release, Fitch Ratings, 23 January

“The introduction of new rules for large money market funds (MMFs) in China should encourage funds to diversify across both end-investors and distribution channels and could reduce systemic financial risks associated with the sector, says Fitch Ratings.”

<https://www.fitchratings.com/research/fund-asset-managers/chinas-new-rules-for-large-mmfs-could-reduce-systemic-risk-23-01-2022>

- C. *Canadian securities regulators seek input on proposed business conduct rules for derivatives dealers and advisers***, press release, Canadian Securities Administrators (CSA), 20 January

“The Canadian Securities Administrators (CSA) today published for comment the proposed business conduct regime for regulating dealers and advisers in over-the-counter (OTC) derivatives in Canada.”

https://www.securities-administrators.ca/news/canadian-securities-regulators-seek-input-on-proposed-business-conduct-rules-for-derivatives-dealers-and-advisers-2/?utm_medium=email&utm_campaign=PR_2022Jan20_11h_BusinessCondu&utm_source=Envoke-General-Updates&utm_term=CSA-News-release-%2F-ACVM-Commun

D. *Federal Reserve Board releases discussion paper that examines pros and cons of a potential U.S. central bank digital currency (CBDC)*, press release and paper, Board of Governors of the US Federal Reserve System, 20 January

“The Federal Reserve Board on Thursday released a discussion paper that examines the pros and cons of a potential U.S. central bank digital currency, or CBDC. It invites comment from the public and is the first step in a discussion of whether and how a CBDC could improve the safe and effective domestic payments system. The paper does not favor any policy outcome.”

<https://www.federalreserve.gov/newsevents/pressreleases/other20220120a.htm>

Fed opens debate over a U.S. central bank digital currency with long-awaited report, article, New York Times, 20 January

The Federal Reserve issued a paper on the pros and cons of a central bank-backed digital dollar. It’s a first step but will kick off discussion.”

<https://www.nytimes.com/2022/01/20/business/fed-digital-currency.html?searchResultPosition=2>

E. *Dow Jones Launches Sustainability Data to Optimize Global Environmental, Social and Governance (ESG) Investing*, press release, Dow Jones, 19 January

“Innovative, news-driven data set offers timely, transparent and tailored insights for asset managers to enhance ESG portfolio strategies.”

<https://www.dowjones.com/press-room/dow-jones-launches-sustainability-data-to-optimize-global-environmental-social-and-governance-esg-investing/>

Dow Jones Launches Sustainability Data, ESG Scores for Investors, article, ESG Investor, 19 January

“Global news and business information provider Dow Jones announced today the launch of its sustainability data, including sustainability scores and sentiment on thousands of publicly traded companies, aimed at enabling investors and asset managers to understand company ESG performance and impact, and make sustainable investment decisions. Components of the new data set include ESG scores and sentiment for over 6,000 companies rated across 26 sustainability categories, along with industry, category and country scoring. The scoring model is aligned with the Sustainability Accounting Standards Board (SASB) standards, and uses a uniquely news-driven methodology, combining company-disclosed data with news from thousands of global sources.”

<https://www.esgtoday.com/dow-jones-launches-sustainability-data-esg-scores-for-investors/>

V. Annual Meeting 2021

The IOSCO Board elected the Autorité Marocaine du Marché des Capitaux (AMMC) of Morocco as the host of the 47th IOSCO Annual Meeting (AM).

The 2022 AM is planned to be held on 18-20 October 2022 in Marrakesh and will be preceded by an AMMC Public Conference on 17 October 2022.

Please pencil these dates into your diaries. The 2022 AM is planned to be held as an in-person meeting; however, we will monitor developments of the pandemic worldwide, and a confirmation on the format of the 2022 AM will be communicated in April 2022.

Should you have any questions, please contact Tajinder Singh (t.singh@iosco.org) or the Secretariat’s Meeting and Events Team (met@iosco.org).

VI. IOSCO Capacity Building Activities 2021

IOSCO Asia Pacific Hub Webcast on Operational Resilience is available for viewing. In conjunction with the publication of IOSCO’s consultation report on the *Operational resilience of trading venues and market intermediaries during the COVID-19 pandemic*, the webcast discusses challenges faced by trading venues and intermediaries during the COVID-19 pandemic, key operational risks arising, and guidance on the operational resilience of trading venues and market intermediaries.

The discussants in this webcast are Tracey Stern, Vice Chair of IOSCO’s Committee 2 on Regulation of Secondary Markets (at the time of recording), and Calissa Aldridge, Vice Chair of IOSCO’s Committee on Regulation of Market Intermediaries (Committee 3). The webcast is moderated by Giles Ward, Senior Policy Advisor at the IOSCO General Secretariat.



The webcast is available at <https://www.iosco.org.my/news-media/webcasts-podcasts>. This webcast is made publicly available to reach a broader audience, and we encourage IOSCO members to share the webcast with relevant stakeholders in their jurisdictions as they deem appropriate.

IOSCO WIW Webcast on Regional Developments in Investor Education and Protection: Frauds and Scams Prevention

IOSCO Asia Pacific members from the Investor and Financial Education Council of Hong Kong, the Securities and Exchange Board of India, Securities Commission Malaysia and the Monetary Authority of Singapore discuss observations on investment scams, financial education initiatives and other measures undertaken to address some of the challenges, and areas of focus going forward for investor education and protection in relation to frauds and scams prevention.

The webcast is available for viewing at www.iosco.org.my/news-media/webcasts-podcasts.

IOSCO Asia Pacific Hub Webcast on Remaining Challenges in Benchmarks Transition

The transition away from LIBOR presents unique and difficult challenges for regulators and market participants. As the end date for LIBOR becomes clearer, 2021 continues to be a critical year in benchmarks transition. This webcast discusses the remaining challenges in benchmarks transition, particularly related to USD LIBOR, to help regulators and market participants plan the steps they need to take in the coming months.

<https://www.iosco.org.my/news-media/webcasts-podcasts>

5th IOSCO/PIFS – Harvard Law School Global Certificate Program for Regulators of Securities Markets – more information to be available in due time.

- **Phase I**, hosted by IOSCO, consists of three components: online learning materials; an in-person module on regulation; and an in-person module on compliance. Under normal circumstances, the in-person modules are conducted at IOSCO's premises in Madrid (Spain) and cover the fundamentals and intricacies of securities regulation and compliance.
- **Phase II**, hosted by PIFS-HLS, consists of a one week-long in-person module that, under normal circumstances, is conducted on campus at the Harvard Law School in Cambridge (Massachusetts, US).

VII. The 2022 Work Calendar:

https://www.iosco.org/members_area/events/?subSection=event-calendar&p=event-calendar-print

VIII. Latest Investor Alerts

https://www.iosco.org/investor_protection/?subsection=investor_alerts_portal

IX. Recommended Reading

- A. *Not Even Free Money Can Solve the Carbon Tax's Big Problem*, article, The Atlantic, 26 January

A carbon dividend seemed like a great way to solve climate politics. But it might not work."

<https://www.theatlantic.com/science/archive/2022/01/carbon-tax-rebate-policy/621363/>

- B. *Hedge fund short-sellers take aim at green energy stocks*, article, Financial Times, 26 January

"Hedge funds have been cranking up their bets against sustainable energy stocks, wagering that as interest rates rise, investors will be less forgiving of companies with strong environmental credentials but weak earnings."

<https://www.ft.com/content/05d218ea-982b-4e95-add1-26550316b2f0>

- C. *What Elizabeth Holmes, Theranos Reveal About VC*, article, New York Times, 25 January

"The Theranos debacle fails as an indictment of venture capital for two reasons. First, nearly all the money raised by the company came not from venture capitalists but from technology outsiders. The Walton family (which made its fortune from Walmart) invested \$150 million. The media baron Rupert Murdoch invested \$121 million. The DeVos family (Amway) and the Cox family (radio and television stations), kicked in \$100 million each. Apparently, none of these venture tourists bothered to insist on evidence that the Theranos technology worked. By contrast, when Ms. Holmes pitched Theranos to a real venture partnership, MedVenture, she was unable to answer their questions, and the meeting ended with her abrupt departure."

Second, the handful of famous technology investors who did back Theranos do not discredit venture capital as a whole. V.C.s approach risk differently from other financiers. They fully expect the majority of their bets to be losers, an unthinkable catastrophe for a stock market investor.”

<https://www.nytimes.com/2022/01/24/opinion/theranos-venture-capital.html>

D. Climate-Risk Disclosures and “Dirty Energy” Transfers: “Progress” Through Evasion, by John C. Coffee, Jr. in the CLS Blue Sky Blog, Columbia U Law School, 25 January

“Progress towards politically controversial goals is often a bumpy series of two steps forward, one step back. As usual, the market finds ways to outflank regulatory reforms, and that is quietly happening. Here, it is important to recognize that a small minority of firms are disproportionately responsible for the major share of overall carbon emissions. An increasing percentage of these firms are privately held, meaning both that they are exempt from SEC periodic-disclosure rules and that their stock is typically not held by the major institutional investors that are pressuring publicly held companies for increased ESG disclosures. As ESG disclosure becomes more costly (and it will), we may see the ratio between public and private firms owning “dirty energy” assets shift significantly towards a higher percentage of private companies. In such a world, “dirty energy” does not decrease; it just shifts towards private owners.”

<https://clsbluesky.law.columbia.edu/2022/01/25/climate-risk-disclosures-and-dirty-energy-transfers-progress-through-evasion/>

E. Implementing ESG plans through supply chain contracts, article, Reuters, 25 January

“It has been estimated by the CDP, an international non-profit organization focused on environmental disclosures, that an average company's supply chain greenhouse gas (GHG) emissions are somewhere in the region of 11.4 times greater than those generated by the company's direct operations. Thus, regulations specifically focused on GHG emissions reductions are emerging apace, and companies are starting to be held responsible for Scope 3 emissions (that is, indirect emissions or emissions associated with supply chains, in accordance with the Greenhouse Gas Protocol).”

<https://www.reuters.com/legal/legalindustry/implementing-esg-plans-through-supply-chain-contracts-2022-01-25/>

F. Latin American VC investments triple record to pass \$15bn in 2021, article, Financial Times, 24 January

“Fintech continues to be biggest draw as 16 new ‘unicorns’ minted in the region.”

<https://www.ft.com/content/6f08aa97-ce65-44c8-9fe2-e5ed342c3cef?segmentId=6bf9295a-189d-71c6-18fb-d469f27d3523>

G. *The race to dominate the DeFi ecosystem is on*, article, The Economist, 22 January

“Perhaps the most significant part of that economy has been decentralised-finance (DeFi) applications, which enable users to trade assets, get loans and store deposits. Now an intensifying battle for market share is breaking out in this area. Crucially, Ethereum, the leading DeFi platform, seems to be losing its near-monopoly. The struggle shows how DeFi is subject to the standards wars that have broken out in other emerging technologies...”

<https://www.economist.com/finance-and-economics/the-race-to-power-the-defi-ecosystem-is-on/21807229>

H. *Green finance: Hong Kong’s role in the global standard to cut through the alphabet soup of ESG rules*, article, South China Morning Post, 22 January

- *The world has at least 200 sets of standards for reporting and assessing climate and sustainability risks, mostly created without coordination among different jurisdictions*
- *The International Sustainability Standards Board (ISSB) will set “baseline” sustainability reporting standards, starting with climate-related issues*

<https://www.scmp.com/business/article/3164217/green-finance-global-standard-may-cut-through-alphabet-soup-global-esg>

I. *Rising number of blank-cheque companies call it quits before listing*, article, Financial Times, 21 January

“Spacs cancel IPO registrations in fresh sign of fading investor enthusiasm.”

<https://www.ft.com/content/1c3eb215-b029-4c65-b660-6022113e3d54>

J. *Russia’s central bank proposes ban on crypto trading and mining*, article, Financial Times, 20 January

“Digital currencies display ‘aspects of financial pyramids’ and could ‘service illegal activity’, say policymakers.”

<https://www.ft.com/content/54433e18-7442-4804-9fec-f0f934bf8b4e>



K. *Japan is ushering in a new form of capitalism to revive its economy*, article, World Economic Forum, 19 January

“Japanese Prime Minister Kishida Fumio has set out his mission to achieve “the great transformation of liberal democratic society”, putting people and planet first in his economic policies.”

https://www.weforum.org/agenda/2022/01/japan-new-form-of-capitalism-revive-economy/?utm_source=sfmc&utm_medium=email&utm_campaign=2765370_Agenda_weekly-21January2022&utm_term=&emailType=Agenda%20Weekly

L. *An Entrepreneur and a Swindler*, article, Project Syndicate, 12 January

“For years, prosecutors have eschewed criminal cases against financial manipulators, and loose financial conditions have driven a desperate search for positive real returns. The situation was perfect for entrepreneurs like Elizabeth Holmes to raise funding for implausible ideas.”

https://www.project-syndicate.org/commentary/theranos-elizabeth-holmes-conviction-innovation-economy-by-william-h-janeway-2022-01?utm_source=Project+Syndicate+Newsletter&utm_campaign=217bb74998-covid_newsletter_01_20_2022&utm_medium=email&utm_term=0_73bad5b7d8-217bb74998-93745305&mc_cid=217bb74998&mc_eid=c38c19531c