



Weekly Bulletin for IOSCO Members – 4

26 January – 2 February 2022

I. IOSCO News

ISSB Climate Standard Won't Ignore Impact – IOSCO, article, ESG Investor, 3 February

“Interoperability between reporting standards and across jurisdictions is key to establishing a global baseline, says IOSCO chair Ashley Alder.”

<https://www.regulationasia.com/issb-climate-standard-wont-ignore-impact-iosco/>

II. Member News

A. *EU Taxonomy: Commission presents Complementary Climate Delegated Act to accelerate decarbonization*, press release, Complementary Delegated Act, Taxonomy, European Commission, 2 February

“The objective is to step up the transition, by drawing on all possible solutions to help us reach our climate goals. Taking account of scientific advice and current technological progress, the Commission considers that there is a role for private investment in gas and nuclear activities in the transition. The gas and nuclear activities selected are in line with the EU's climate and environmental objectives and will allow us to accelerate the shift from more polluting activities, such as coal generation, towards a climate-neutral future, mostly based on renewable energy sources.”

https://ec.europa.eu/commission/presscorner/detail/en/ip_22_711

B. *New approach to enable global leadership of EU standards promoting values and a resilient, green and digital Single Market*, press release, European Commission, 2 February

“This new Strategy aims to strengthen the EU's global competitiveness, to enable a resilient, green and digital economy and to enshrine democratic values in technology applications.”

https://ec.europa.eu/commission/presscorner/detail/en/ip_22_661

C. *The World Federation of Exchanges Identifies Policy Levers to Encourage SME Listings*, press release and report, World Federation of Exchanges, 1 February

“The World Federation of Exchanges (WFE), the global industry group for exchanges and CCPs, today published a report on how the flexibilities for listed issuers, introduced as a result of the pandemic, could be used to stimulate SME listing in the future.

Drawing upon the initial findings of a WFE member survey on covid-related issuer flexibilities, today’s paper studies how exchanges worked closely with wider stakeholders -- including regulators, governmental departments, and institutional investors -- to help companies deal with the challenges of the pandemic. The paper acts as a stock take of the measures that were introduced but also considers whether some of these relaxations are fit for purpose as we ‘build back better’ following the pandemic.”

<https://www.world-exchanges.org/news/articles/wfe-identifies-policy-levers-encourage-sme-listings>

D. *ESMA publishes Final Reports on CCP recovery regime*, press release, European Securities and Markets Commission, 31 January

“The seven Final Reports cover proposals for Regulatory Technical Standards (RTSs) on the methodology for calculation and maintenance of the additional amount of pre-funded dedicated own resources, on the factors to be taken into account by the competent authority and the supervisory college when assessing the recovery plan and on the recompense mechanism for non-defaulting clearing members. It also covers Guidelines on the consistent application of the triggers for the use of Early Intervention Measures, on the CCP’s recovery plan indicators and scenarios and on the restrictions of dividends in case of a significant non-default event.”

<https://www.esma.europa.eu/press-news/esma-news/esma-publishes-final-reports-ccp-recovery-regime>

E. *Applying Exchanges’ Risk Measures Broadly Across Markets Will Support Post-Pandemic Rebound*, article, the Depository Trust & Clearing Corporation (DTCC), 31 January

“Over the past decade, the securities trading industry has responded to economic and operational crises with a series of circuit breakers, limits and risk controls, implemented one at a time. The COVID pandemic crisis that began in 2020 has highlighted the need to

enhance these measures and put together a comprehensive, connected set of tools to decisively reduce market risk.

The financial industry should take these three actions to achieve this goal:

- *Establish limits for each trading participant firm at self-regulatory organizations (SROs).*
- *Develop more quantitative risk controls to detect abnormal trading behavior in real time.*
- *Evaluate how and if a longer-term consolidated control mechanism should be established.”*

<https://www.dtcc.com/dtcc-connection/articles/2022/january/31/applying-exchanges-risk-measures-across-markets>

F. *ESMA Consults on Scope of the CRA Regulation for Private Credit Ratings*, press release, European Securities and Markets Commission, 28 January

“The European Securities and Markets Authority (ESMA), the EU’s securities markets regulator, today launches a public consultation on a targeted revision to its Guidelines and Recommendations on the Scope of the CRA Regulation.....

.... The revised Guidelines will assist ESMA in its perimeter activities and will also define the activities of private credit rating providers that ESMA considers to fall outside (of) the scope of the CRA Regulation.

The closing date for responses is 11 March 2022”

<https://www.esma.europa.eu/press-news/esma-news/esma-consults-scope-cra-regulation-private-credit-ratings>

G. *Joint circular on intermediaries’ virtual asset-related activities*, circular, Hong Kong Securities and Futures Commission (SFC), 28 January

“The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) have received an increasing number of enquiries from intermediaries about distributing virtual asset related products (VA-related products) to investors. Intermediaries are also interested in providing virtual asset dealing services to their clients. The SFC and the HKMA have reviewed their existing policy in light of the latest market developments and enquiries from the industry.”

<https://apps.sfc.hk/edistributionWeb/api/circular/openFile?lang=EN&refNo=22EC9>

H. Canadian securities regulators seek comment on the proposed modernization of the prospectus filings model for investment funds, Canadian Securities Administrators (CSA), 27 January 2022

“The Canadian Securities Administrators (CSA) today published for comment a two-staged proposal to modernize the prospectus filing model for investment funds.

‘Our proposed modernization initiative would reduce regulatory burden without affecting the currency or accuracy of information available to investors,’ said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. ‘They will continue to receive the information needed to inform their investment decisions on a regular basis’

<https://www.securities-administrators.ca/news/canadian-securities-regulators-seek-comment-on-the-proposed-modernization-of-the-prospectus-filings-model-for-investment-funds/>

I. State-of-the-art supervision: The new financial reporting enforcement mechanism, press release, Germany: Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), 27 January

“From the beginning of 2022, only BaFin will be examining the financial statements of publicly traded companies. Random sampling examinations and ad hoc examinations will then fall within its remit. If there are suspicions of accounting irregularities, BaFin can intervene directly at the company. If the suspicion is serious, it can examine the accounts using forensic techniques.”

https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Fachartikel/2021/fa_bj_2112_Bilanzkontrolle_en.html

J. Thematic reviews by ASIC and SFC of the foreign exchange (FX) activities of global financial groups, press release and joint circular, Australian Securities & Investments Commission (ASIC) and the Securities and Futures Commission (SFC), 27 January

ASIC and the SFC “issued a joint circular highlighting observations from their collaborative reviews of FX activities conducted by global financial groups in their respective jurisdictions. The reviews focused on the participants’ (Note 1) internal controls and compliance with the applicable rules and regulations, as well as their adoption of the relevant industry guidelines (e.g., the FX Global Code) (Note 2). Details about the regulators’ observations and good industry practices are provided in the circular and its annexes. Hong Kong, as a premier international financial centre, is one of the most important FX trading centres globally and in the Asia-Pacific region.”

<https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=22PR5>

- K. ESMA consults on CCP anti-procyclicality measures**, press release, European Securities and Markets Authority (ESMA), 27 January

“The European Securities and Markets Authority (ESMA), the EU’s securities markets regulator, today launches a consultation paper to review the European Market Infrastructure Regulation’s (EMIR) requirements on anti-procyclicality (APC) margin measures for central counterparties (CCPs).

ESMA is seeking input from stakeholders on a potential review of its Regulatory Technical Standards (RTS) with the aim of harmonising the existing APC margin measures for CCPs as well as specific anti-procyclicality tools.”

<https://www.esma.europa.eu/press-news/esma-news/esma-consults-ccp-anti-procyclicality-measures>

- L. Commission puts forward declaration on digital rights and principles for everyone in the EU**, press release, European Commission, 26 January

“Today, the Commission is proposing to the European Parliament and Council to sign up to a [declaration](#) of rights and principles that will guide the digital transformation in the EU.”

https://ec.europa.eu/commission/presscorner/detail/en/ip_22_452

- M. Capitalization of Equity Investments in Funds Under the FRTB**, International Swaps and Derivatives Association, January 2022

“In January 2019, the Basel Committee on Banking Supervision published the final elements of the Basel III capital framework, including revised standards for market risk capital known as the Fundamental Review of the Trading Book (FRTB). National regulators are now working to apply the rules in their jurisdictions, with implementation dates likely to reflect the challenges posed by the global pandemic.”

<https://www.isda.org/a/Ht6gE/Capitalization-of-Equity-Investments-in-Funds-Under-the-FRTB.pdf>

- N. SEBI Chairman launches “Saaṛthi” – SEBI’s Mobile App on Investor Education**, press release, Securities and Exchange Board of India, 19 January

“Shri Ajay Tyagi, Chairman, SEBI launched “Saa᳚thi”–SEBI’s Mobile App on Investor Education at a function held in Mumbai today. Launching the SEBI App, Shri Tyagi said, ‘This Mobile App is yet another initiative of SEBI with a view to empowering investors with knowledge about securities market. With the recent surge in individual investors entering the market, and more importantly a large proportion of trading being mobile phone based, this App will be helpful in easily accessing the relevant information. I am sure that in coming times this App will be popular among the investors especially the young ones.’”

https://www.sebi.gov.in/media/press-releases/jan-2022/sebi-chairman-launches-saa-thi-sebi-s-mobile-app-on-investor-education_55384.html

- O. MAS Issues Guidelines to Discourage Cryptocurrency Trading by General Public**, press release, Monetary Authority of Singapore (MAS), 17 January

Mas “issued guidelines giving effect to MAS’ expectations that Digital Payment Token (DPT or more commonly known as cryptocurrency) service providers should not promote their DPT services to the general public in Singapore.”

<https://www.mas.gov.sg/news/media-releases/2022/mas-issues-guidelines-to-discourage-cryptocurrency-trading-by-general-public>

III. Financial Stability Board/Bank for International Settlements

- A. Money markets, collateral and monetary policy**, press release and report, Bank for International Settlements, 1 February

“Interbank money markets are essential for banks’ liquidity management. They are also important for monetary policy implementation as central banks often target interbank rates. Our paper focuses on two major and persistent money market developments that have occurred in the euro area over the past 15 years: the falling importance of the unsecured interbank market relative to the secured market and, relatedly, the rising exposure of banks to the risk of increases in collateral haircuts. We ask how these developments have affected bank lending, real activity and the conduct of monetary policy.”

<https://www.bis.org/publ/work997.htm>

- B. Neil Esho appointed Secretary General of the Basel Committee on Banking Supervision**, press release, Bank for International Settlements, 27 January

“Neil Esho appointed Secretary General of the international standard-setter. His term starts in February 2022 for three years. Esho previously served as Deputy Secretary General of the Basel Committee.”

<https://www.bis.org/press/p220127.htm>

C. *Virtual banking and beyond*, BIS Papers, Bank for International Settlements, 27 January

“The integration of technology, finance and services is rapidly changing the banking landscape, as big techs, fintech firms, non-bank financial institutions as well as incumbent banks take up stakes in virtual banking. New technology-driven models exploit the expanding data footprints of individuals and firms to generate information capital and reduce the reliance on collateral when offering loans and other financial services. Data and entities that manage data will be at the heart of this transformation. Financial regulators thus need to ensure that regulatory oversight delivers on the inclusion and intermediation-enhancing benefits of digital finance without compromising traditional regulatory goals. At the same time, there is a pressing need for a system of data governance that allows consumers and business to exercise control over their data through the granting and withholding of consent to the use and transfer of their data.”

<https://www.bis.org/publ/bppdf/bispap120.htm>

IV. Other News

A. *The dark side of artificial intelligence: manipulation of human behaviour*, article, Bruegel, 1 February

“One potential threat from AI in terms of manipulating human behaviour is so far understudied. Manipulative marketing strategies have existed for long time. However, these strategies in combination with collection of enormous amounts of data for AI algorithmic systems have far expanded the capabilities of what firms can do to drive users to choices and behaviour that ensures higher profitability. Digital firms can shape the framework and control the timing of their offers and can target users at the individual level with manipulative strategies that are much more effective and difficult to detect.”

<https://www.bruegel.org/2022/02/the-dark-side-of-artificial-intelligence-manipulation-of-human-behaviour/>

B. *UK to press on with digital pound in 2022*, commentary, Official Monetary and Financial Institutions Forum, 28 January

“Looking back at 2021 for clues as to what may come.”

<https://www.omfif.org/2022/01/uk-to-push-ahead-with-digital-pound-in-2022/>

C. ESRB recommends establishing a systemic cyber incident coordination framework, press release and report, European Systemic Risk Board (ESRB), 27 January

“The European Systemic Risk Board (ESRB) has today published a Recommendation for the establishment of a pan-European systemic cyber incident coordination framework (EU-SCICF). The financial sector relies on resilient information and communications technology systems and is highly dependent on the confidentiality, integrity and availability of the data and systems it uses. Major cyber incidents have the potential to corrupt information and destroy confidence in the financial system, and they may therefore pose a systemic risk. This calls for a high level of preparedness and coordination among financial authorities in order to respond effectively to such major cyber incidents. The EU-SCICF would aim to strengthen this coordination among financial authorities in the European Union, as well as with other authorities in the Union and key actors at international level. It would complement the existing EU cyber incident response frameworks by addressing the risks to financial stability stemming from cyber incidents.”

<https://www.esrb.europa.eu/news/pr/date/2022/html/esrb.pr.220127~f1548f677e.en.html>

Mitigating systemic cyber risk, ESRB, January 2022

<https://www.esrb.europa.eu/pub/pdf/reports/esrb.SystemiCyberRisk.220127~b6655fa027.en.pdf?bd2b11e760cff336f84c983133dd23dc>

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

The ESRB “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>

E. ***The digital euro: policy implications and perspectives***, report, Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, 21 January

“The study identifies the fundamental rationale for a possible issuance of a digital euro: to preserve the role of public money in a digital economy. It outlines the policy options, trade-offs as well as design issues that its creation would raise.”

[https://www.europarl.europa.eu/RegData/etudes/STUD/2022/703337/IPOL_STU\(2022\)703337_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/703337/IPOL_STU(2022)703337_EN.pdf)

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. *The Digital Asset Market in 2022*, article, Global Investor Group, 1 February

“During the final months of 2021, US policymakers have largely signalled that greater oversight of the digital asset economy is in the works, predominantly looking at the DeFi sector and the stablecoins landscape.

It is likely that 2022 will see the emergence of a fully regulated DeFi ecosystem (ReDeFi) as a parallel sector to the decentralised pseudonymous DeFi world that expanded so rapidly since the boom in 2020. ReDeFi will offer many of the same innovative products that its more rebellious cousin offer but supported by a regulatory framework that meets the requirements for greater participation from the traditional financial services industry. For example, ReDeFi will only be accessible through strict KYC and AML processes to satisfy the compliance standards.”

<https://www.globalinvestorgroup.com/articles/3697937/the-digital-asset-market-in-2022>

B. *U.S. markets regulator flags risks for ratings firms in ESG boom*, article, Reuters, 1 February

“Credit ratings agencies face new risks as they throw themselves into the fast-growing business of environmental, social and governance (ESG)-based investing, the U.S. Securities and Exchange Commission (SEC) warned in a new report.”

<https://www.reuters.com/business/sustainable-business/us-markets-regulator-flags-risks-ratings-firms-esg-boom-2022-02-01/>

report: <https://www.sec.gov/files/2022-ocr-staff-report.pdf>

C. *Wall Street’s Green Push Exposes New Conflicts of Interest*, article, Dow Jones Newswire, 31 January

“The booming business of green finance is being led by an unlikely group of companies that sits at the heart of the financial system.

The giant firms that audit the books, rate the bonds, advise on proxy voting and categorize the world’s companies are spending billions to boost their climate-related operations. That

could accelerate the shift away from fossil fuels but could also create a new set of conflicts of interest for industries that struggled to manage them in the past.”

<https://stockxpo.com/wall-streets-green-push-exposes-new-conflicts-of-interest/>

- D. *It’s Hard to Tell When the Crypto Bubble Will Burst, or If There Is One***, article, New York Times, 27 January

“Crypto prices are highly volatile, as this week’s sell-off showed. But die-hard enthusiasts believe prices will keep soaring in a world where traditional notions of value don’t apply.”

<https://www.nytimes.com/2022/01/27/business/crypto-price-bubble.html?searchResultPosition=1>

- E. *India to Impose Standards, Transparency on ESG Ratings Providers***, article, ESG Investor, 27 January

“Regulator says reliance on unregulated ESG rating providers poses risks to investors, transparency and market efficiency.

<https://www.esginvestor.net/india-to-impose-standards-transparency-on-esg-ratings-providers/>

- F. *How Crypto Became the New Subprime***, opinion by Paul Krugman, New York Times, 27 January

“As of Thursday morning, Bitcoin’s price was almost halfway down from its November peak. So, who is being hurt by this crash, and what might it do to the economy?”

Well, I’m seeing uncomfortable parallels with the subprime crisis of the 2000s. No, crypto doesn’t threaten the financial system — the numbers aren’t big enough to do that. But there’s growing evidence that the risks of crypto are falling disproportionately on people who don’t know what they are getting into and are poorly positioned to handle the downside.”

<https://www.nytimes.com/2022/01/27/opinion/cryptocurrency-subprime-vulnerable.html?searchResultPosition=2>

- G. *Buy GameStop, Fight Injustice. Just Don’t Sell***, article, New York Times, 29 January

“GameStop was the coming-out party of sorts for a sweeping change in stock market investing that had been bubbling since the start of the pandemic. Stuck at home, flush with government stimulus checks, known as “stimmies,” and watching the stock market rise to

nosebleed levels even as the economy teetered, millions of small investors began to take tentative steps into trading in the spring of 2020.”

<https://www.nytimes.com/2022/01/29/business/gamestop-stock.html>

H. *Russia’s central bank wants outright ban on cryptocurrency*, article and consultation report, New Money Review, 20 January

“Russia’s central bank, the Bank of Russia, has called for a ban on cryptocurrency, including the issuance, trading, investment in and mining of these digital assets.

In a 37-page [consultation paper](#) released today, the central bank said that the broadening use of cryptocurrency in Russia posed a threat to the country’s economic development.

If implemented, the ban on cryptocurrency mining will cause another bout of disruption to the global network of computers processing bitcoin transactions.

Last year, China banned cryptocurrency mining, while miners have recently faced restrictions on their activities in Kazakhstan, Iran and Kosovo.

In November, Sweden called for an EU-wide bitcoin mining ban.

According to the Cambridge Bitcoin Electricity Consumption index, 14 percent of global bitcoin mining took place in Russia in August last year. This makes Russia the third-most popular country for mining cryptocurrency after the US and Kazakhstan.”

<https://newmoneyreview.com/index.php/2022/01/20/russias-central-bank-wants-outright-ban-on-cryptocurrency/>

I. *GameStop Saga one year on: a stark difference between the US and European financial market infrastructures but...*article by Javier Hernani, CEO de Bolsas y Mercados Españoles (grupo SIX), in Global Custodian, January 2022

“While a market event like GameStop could well happen again, it is important to recognise that the clearing and settlement framework worked perfectly in this case and, what is more important, through all the pandemic.”

<https://www.globalcustodian.com/blog/gamestop-saga-one-year-on-a-stark-difference-between-the-us-and-european-financial-market-infrastructures-but/>