Board/2025/031

IOSCO Standards Implementation Monitoring (ISIM)

for Principles (6-7) Relating to the Regulator

FINAL REPORT

The Board of the
International Organization of Securities Commissions

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Chapter 1 - Executive Summary

The IOSCO Assessment Committee (AC) has developed the IOSCO Standards Implementation Monitoring (ISIM) Review as a tool to monitor the implementation of a set of IOSCO Principles and Standards by member jurisdictions.

This report sets out the findings of the third ISIM Review (Review) carried out by the AC, covering two principles of the IOSCO Principles Relating to the Regulator (Principles 6 and 7).[1] These two Principles are part of IOSCO's 38 Objectives and Principles of Securities Regulation[2] (Principles), which provide core elements of an essential regulatory framework for securities regulations. The Principles establish the desirable attributes of a regulator. Principle 6 states that the regulator should have or contribute to a process to identify, monitor, mitigate and manage systemic risk, appropriate to its mandate. Principle 7 states that the Regulator should have or contribute to a process to review the perimeter of regulation regularly. These Principles are essential to ensuring the achievement of the three core objectives of securities regulation:

1) The protection of investors;
2) Ensuring that markets are fair, efficient and transparent; and
3) The reduction of systemic risk.

In this context, the main objective of this Review is to present a global overview of the status of implementation of each of the two Principles by the participating jurisdictions, based on their self-assessments. The review also aims to identify gaps in implementation as well as examples of good practices in implementing these Principles.

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[1] The first ISIM on Secondary and Other Market Principles:
https://www.iosco.org/library/pubdocs/pdf/IOSCOPD623.pdf
The second ISIM on Principles 1-5: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD727.pdf
[2] https://www.iosco.org/library/pubdocs/pdf/IOSCOPD561.pdf

A total of 55 IOSCO members[3] from 50 participating jurisdictions[4] have participated in this ISIM exercise, with contributions from both emerging and developed markets, and balanced representation from across all regions.

The Review was conducted by the Assessment Committee. The participating jurisdictions responded to a Questionnaire that was designed by the Assessment Committee, based on the (2017) IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation. The Questionnaire was made up of the exact Key Questions for Principles 6 and 7 as presented in the IOSCO Methodology.

Key Findings

Based on the information reported by the participating jurisdictions through the Questionnaire (please see Annex 1) and some follow-up questions, the Review found that the implementation of Principles 6-7 is generally high across most of the participating jurisdictions (see Chapter 5). The Review noted that a variety of different approaches to implementation have been observed and several good practices and examples have been provided in the report. While the status of implementation varies across jurisdictions, the gaps in implementation have been observed mostly in nascent and emerging market jurisdictions.

Overall findings – Principle 6

The Review found that, overall, compliance with this Principle was generally high. Most participating jurisdictions have or contribute to a process to identify, monitor, mitigate and manage systemic risk, appropriate to their mandate.

Overall findings – Principle 7

The Review found that, overall, there is a high level of implementation of Principle 7 by participating jurisdictions, as they regularly review the perimeter of regulation. However, the level of formalization of such regular review varies. Some participating jurisdictions have specific risk specialists and/or dedicated risk management teams. For a number of the jurisdictions, the frequency/timeframe for the review process needs to be better formalized.

[3] The list of participating jurisdictions can be found at Annexure 2.
[4] The term "participating jurisdiction" is used throughout the report to refer to IOSCO members who have participated in the ISIM Review. Please refer to Annexure 2 for a list of the 50 participating jurisdictions.

Recommendations

The report makes several jurisdiction-specific recommendations for participating jurisdictions to consider, in terms of conducting potential reforms in response to the identified gaps in implementation (please refer to Chapter 7 for additional information).

Practices

For each of the two Principles, the Review has identified several practices on key issues relating to the two Principles in various participating jurisdictions. These practices are intended to serve as useful, yet not exhaustive, examples, with the caveat that there is no single correct approach to a regulatory issue. The means of implementation for all Principles can vary among jurisdictions taking into account the stage of market development and regulatory structure.

Additional Questions

In conducting the Review, the Assessment Committee also collected information from the participating jurisdictions through some "additional questions" that were included in the Questionnaire. Such questions were not used for the purposes of the Review (i.e. identify gaps in implementation as well as examples of good practices in implementing these Principles). Rather, the "additional questions" were included for the Review Team to understand some novel issues that jurisdictions might have experienced in relation to dealing with systemic risk and the review of the perimeter of regulation, in view of the ever-evolving financial markets and the emergence of new products. The main points from such additional information are captured in Annex 3.

Chapter 2 - Background

The IOSCO Assessment Committee was established in 2012 with the main objective of encouraging full, consistent and effective implementation of IOSCO Principles and other standards set out in IOSCO reports or resolutions approved by IOSCO across the IOSCO membership. The AC has developed ISIM as a tool to monitor the implementation of the IOSCO Principles by member jurisdictions.

In March 2022, the IOSCO Board approved the 2022-23 AC workplan, which included an ISIM Review on Principles 6-7. The ISIM exercise allows IOSCO to present a global overview of the implementation of the Principles by member jurisdictions and gather useful feedback on the subject. In contrast to country reviews, the ISIM Review aims to be less resource intensive, be desk-based and cover a larger population of member countries. The Review presents an opportunity for both developed and emerging market jurisdictions to participate in an implementation monitoring exercise on Principles Relating to the Regulator based on the revised (2017) *IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* [5] (the "IOSCO Methodology").

2.1. IOSCO Principles Related to the Regulator

The three IOSCO core objectives of securities regulation are:

1) The protection of investors;
2) Ensuring that markets are fair, efficient and transparent; and
3) The reduction of systemic risk.

The IOSCO Principles are one of the key international standards and codes (including those on clearing and settlement) recognized by the Financial Stability Board (FSB)[6] and the International Monetary Fund (IMF)[7] as being key to sound financial systems and deserving priority implementation.

[5] The IOSCO Methodology is designed to provide IOSCO's interpretation of Principles and to give guidance on the conduct of a self-assessment or third-party assessment of the level of Principles implementation.
[6] https://www.fsb.org/work-of-the-fsb/about-the-compendium-of-standards/key_standards/
[7] https://www.imf.org/external/np/fsap/faq/index.htm

IOSCO has 38 Objectives and Principles of Securities Regulation ("IOSCO Principles"), which provide core elements of a framework for securities regulations. The IOSCO Principles have been organized into several sections:

Principles 1-8	Principles Relating to the Regulator
Principles 9	Principles for Self-Regulation
Principles 10-12	Principles for the Enforcement of Securities Regulation
Principles 13-15	Principles for Cooperation in Regulation
Principles 16-18	Principles for Issuers
Principles 19-23	Principles for Auditors, Credit Rating Agencies, and Other Information Service Providers
Principles 24-28	Principles for Collective Investment Schemes
Principles 29-32	Principles for Market Intermediaries
Principles 33-37	Principles for Secondary and Other Markets
Principle 38	Principles Relating to Clearing and Settlement

2.2. Scope

The ISIM on Principles 6-7 aims to ensure a continuation of the previous ISIM on Principles 1-5 for Securities Regulators. The Principles relating to the Regulator are as follows:

Principle 6	The Regulator should have or contribute to a process to identify, monitor, mitigate and manage systemic risk, appropriate to its mandate.
Principle 7	The Regulator should have or contribute to a process to review the perimeter of regulation regularly.

Chapter 3 - Objectives, Methodologies, and Review Team

3.1. Nature of the Review and Objectives

As per the project specifications for ISIM Reviews, approved by the IOSCO Board, the ISIM report is expected to:

- Set out the main findings on the status of implementation of the Regulator for Principles 6 and 7;
- Identify gaps in the implementation of such Principles across IOSCO participating jurisdictions;
- Identify good practices in implementation; and
- Identify any area which might be useful to IOSCO for future policy work, capacity building or technical assistance.

The main objective of the Review is to provide a global overview of the status of implementation of each of the above-listed two Principles, based on the self-assessments provided by the participating jurisdictions. The Review was conducted by a Review Team set up by the Assessment Committee. The participating jurisdictions indicated the legal and regulatory regimes in place regarding implementation of the Principles Relating to the Regulator (Principles 6-7) as of 31 July 2023. Specifically, through this exercise, the Review Team asked the participating jurisdictions to identify the published and in-force source(s) of their legal authority consistent with the Principles. The Review also sought to identify differences in approaches and the progress of implementation (or proposed implementation) of the Principles.

The Review Team employed an Assessment Methodology and Questionnaire, which was sent to the participating jurisdictions for self-assessment purposes (see **Annexure 1** - Assessment Methodology and Questionnaire). The Assessment Methodology and Questionnaire is based largely on the IOSCO Methodology.

The Review Team also included some additional questions in the Questionnaire for each Principle. However, such "additional questions" were intended to collect additional information, but such information has not been taken into account for the identification of gaps. Therefore, the information deriving from the "additional questions" is presented in a separate chapter.

The findings in this Report are based on analysis of self-assessments submitted by the participating jurisdictions. Where necessary, the Review Team contacted the participating jurisdictions to clarify and/or verify the statements made in the responses. However, ***the Review Team did not seek to independently assess all statements. Moreover, this Review does not involve rating the jurisdictions against the benchmarks provided in the Methodology. The review identifies gaps in implementation and gives recommendations that are intended to address these gaps.***

3.2. Review Team

The Review was conducted by a Review Team led by Sharon Kelly (Autorité des marchés financiers, Quebec).[8] The Review Team was comprised of staff from the following authorities: Guan Tan (Securities and Futures Commission, Hong Kong), Prabhas Rath, Pramod Rao, Neetika Rajpal, and Sneha Nautiyal (Securities and Exchange Board of India), Daniela Gariboldi (Commissione Nazionale per le Società e la Borsa, Italy), Josafat De Luna-Martínez and Jantakarn Pangutha (IOSCO), David Porter (Jersey Financial Services Commission), Laurent van Burik (Commission de Surveillance du Secteur Financier, Luxembourg), and Juan Munguira (Comisión Nacional del Mercado de Valores, Spain), with the support of the IOSCO General Secretariat (Raluca Tircoci-Craciun, Hemla Deenanath, and Rinasha Appavoo).

3.3. Review Process

The Review was a desk-based exercise, which included the review of responses from 55 regulators from 50 participating jurisdictions (Annexure 2) to the Questionnaire designed by the Review Team based on IOSCO's 2017 Methodology. The Questionnaire was circulated on 28 June 2023, with responses due on 31 July 2023.

The participating jurisdictions were asked to provide the status of implementation of the two Principles, along with references to relevant legislation, regulation or policy, through the Questionnaire. These self-

[8] The Review Team was led by Ms. Sharon Kelly up until 2 August 2024.

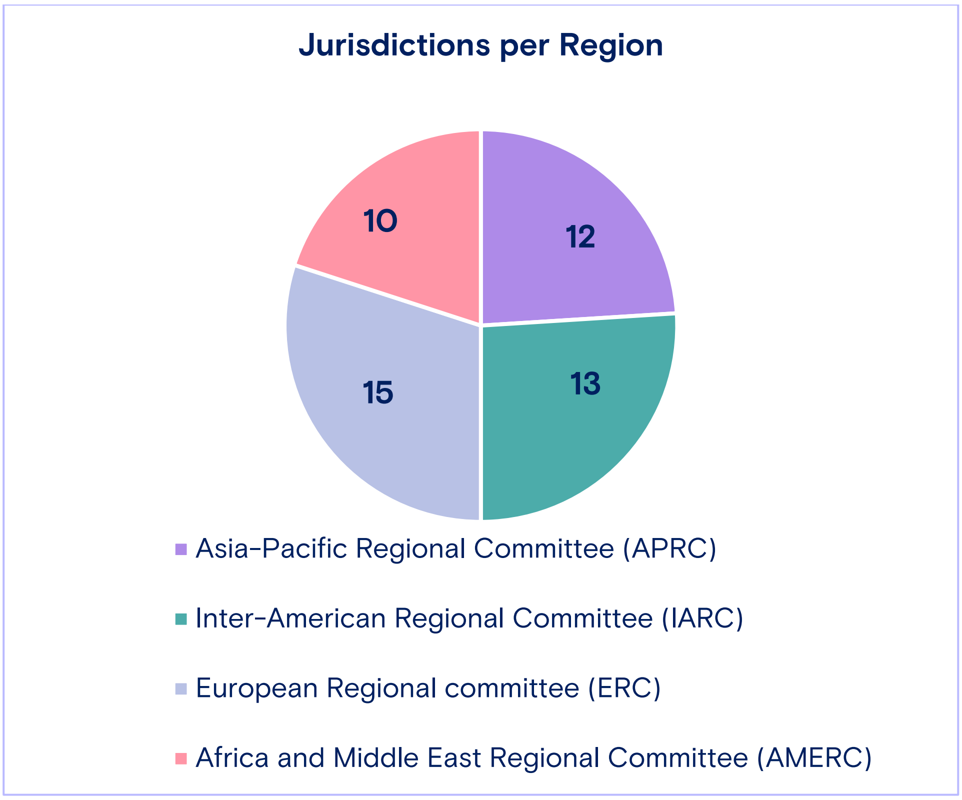
assessment responses became the primary source material for the Review Team.

During the Review, the Review Team submitted 3 rounds of follow-up questions for further information and clarification from the participating jurisdictions on 31 December 2023, 13 March 2024, and 14 May 2024.

Chapter 4 - Participating Jurisdictions

All IOSCO member jurisdictions, including Ordinary, Associate and Affiliate members, were invited to participate in the Review. A total of 55 IOSCO members from 50 participating jurisdictions contributed to the Review, out of which 22 are also members of the IOSCO Board. A list of participating jurisdictions is set out in **Annexure 2**.

The following chart shows the distribution of the participating jurisdictions based on region (in some cases, more than one authority from the same jurisdiction participated in the Review, so the total number below refers to the 50 jurisdictions):



Region	Number of jurisdictions
Asia- Pacific Regional Committee (APRC)[9]	12
Inter-American Regional Committee (IARC)[10]	13
European Regional Committee (ERC)[11]	15
Africa and Middle East Regional Committee (AMERC)[12]	10
Total Number of Participants	**50**

Out of the 50 participating jurisdictions in this ISIM, the following jurisdictions have been identified by the IMF[13] as being countries with systemically important financial sectors:
From the APRC region: Australia, China, Hong Kong, India, Japan, and Singapore

From the IARC region: Brazil, Canada (Alberta, British Columbia, Ontario, and Quebec), and Mexico

From the ERC region: Belgium, France, Germany, Italy, Luxembourg, The Netherlands, Spain, Türkiye, and United Kingdom

Out of 50 participating jurisdictions in this ISIM Review, 27 members are from growth and emerging market (GEM) jurisdictions, while 23 are from developed markets.

[9] APRC Jurisdictions: Australia, China, Hong Kong, India IFSCA, India SEBI, Indonesia, Japan (Joint response from Financial Services Agency and Ministry of Economy, Trade, and Industry), Maldives, New Zealand, Pakistan, Singapore, and Thailand.
[10] IARC Jurisdictions: Argentina, Bahamas, Brazil, Canada (Joint response from Alberta, British Columbia, Ontario, and Quebec), Chile, Colombia, Dominican Republic, Eastern Caribbean Currency Union, El Salvador, Mexico, Paraguay, Peru, and Uruguay.
[11] ERC Jurisdictions: Belgium, France, Germany, Israel, Italy, Jersey, Liechtenstein, Luxembourg, The Netherlands, Portugal, Slovenia, Spain, Srpska, Türkiye, and United Kingdom.
[12] AMERC Jurisdictions: Angola, Botswana, Dubai, Egypt, Jordan, Mauritius, Qatar, Saudi Arabia, South Africa (Joint response from Financial Sector Conduct Authority and Prudential Authority), and Zambia.
[13] https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10357

Chapter 5 – Key Findings
- Principle by Principle

5.1 Principle 6: The Regulator should have or contribute to a process to identify, monitor, mitigate and manage systemic risk, appropriate to its mandate.

IOSCO Methodology

The IOSCO Methodology for Principle 6 states that:

1. The regulator should have or contribute to regulatory processes through formalized arrangements, which may be cross-sectoral, to identify, monitor, mitigate, and appropriately manage systemic risk based on clear responsibilities in relation to systemic risks. The process can vary with the complexity of the market.
2. Given the central role of markets in the overall financial system and their capability to generate and/or transmit risks, securities regulators should:
   a. work with other supervisors to improve the overall understanding of the economics of the securities markets, their vulnerabilities and the interconnections with the broader financial sector and the real economy; and
   b. have or develop formal systems and processes to permit the sharing of information and knowledge as an essential component for the delivery of an effective regulatory response to systemic risk.
3. The regulator should have appropriately skilled human and adequate technical resources to support effective risk arrangements.

5.1.1 Implementation Overview

Promoting financial stability is a shared responsibility amongst the financial sector regulatory community. Securities regulators, prudential regulators, and central banks all have important roles to play and come equipped with different tools at their disposal.

Reducing systemic risk is one of the three IOSCO core objectives of securities regulation. Principle 6 recognizes that securities regulators have an important and unique role to play in identifying, monitoring, mitigating, and managing systemic risk.

The nature of the risk identified will, to a large extent, dictate which set of tools may be most effective in addressing the risk. The tools available to securities regulators to reduce systemic risk generally consist of strong investor protection standards and enforcement measures, disclosure and transparency requirements, business conduct regulation, and resolution regimes for market intermediaries.

This Principle explicitly recognizes that securities regulators may not have the appropriate tools to address certain forms of systemic risk and, therefore, it is important that they cooperate with other regulators. Effective securities regulation is predicated on preserving market integrity, financial stability and investor protection. This approach recognizes that the market is composed of an interconnected network where the activities of one or more participants can have spill-over effects on all.

Systemic risk arising in one part of the financial system may also be spread to other parts of the financial system through the markets and the economy. Regulators should be aware of new and evolving products, business models and participants, and the potential risks they may pose to the financial system as a whole.

Securities regulators should develop key risk metrics relevant to measuring systemic risks arising within securities markets, intermediaries and regulated activities, and improve their understanding and application of tangible steps that can be taken to mitigate such risks. The arrangements to identify, monitor, mitigate and adequately manage systemic risk should include components which involve, amongst other things, the systematic and robust analysis of accessible, reliable and good quality data (including micro- and macro-economic data and market intelligence) either collected by the securities regulator or sourced from other agencies or parties (including other relevant supervisors).

Securities regulators may be able to leverage work done by other supervisors, but it will be important to develop their own risk indicators through the use of qualitative and quantitative data.

The identification, monitoring, mitigation and management of systemic risk should be integrated into an organized and documented risk management framework through formalized processes and arrangements.

The Review found that, overall, compliance with this Principle was generally high. Most participating jurisdictions have or contribute to a process to identify, monitor, mitigate and manage systemic risk, appropriate to their mandate.

5.1.2 Key Findings

Clear responsibilities in identifying and managing systemic risk (KQ1a)

Under Principle 6, the regulator is expected to participate in the identification, monitoring, mitigating and management of systemic risk, and also contribute to the jurisdiction's overall systemic risk management.

The majority of the participating jurisdictions[14] have clear responsibilities in identifying, monitoring, mitigating, and appropriately managing systemic risks related to securities markets and/or in contributing to similar processes in relation to other financial markets. For example:

1) There are participating jurisdictions that have an explicit mandate to address systemic risk (implicitly or explicitly in their mandates).
2) There are participating jurisdictions that participate in many different forms of Financial Stability groups that also have representation from other financial sector authorities within the jurisdiction.

Among the participating jurisdictions, most securities market regulators contribute to processes in relation to other financial markets with reference to systemic risk through one of the below mentioned practices:

1) Participation in different forms of Financial Stability groups that also have representation from other financial sector authorities within the jurisdiction.
2) Contribution to regional risk boards or committees.
3) Other forms of cross sectoral participation within the jurisdiction which has systemic risk as one of its objectives.
4) A multi-pronged regulatory framework is adopted in terms of identifying, monitoring, mitigating and managing systemic risks.

Definition of systemic risk (KQ1b)

It is important for the jurisdiction to have a clear definition of systemic risk.

A number of participating jurisdictions[15] have defined systemic risk through either of the following:

[14] Except Bahamas, Brazil, Jordan, Maldives, Paraguay, Srpska, Zambia.
[15] Except Brazil, Botswana, Dominican Republic, Eastern Caribbean Currency Union, Jordan, Maldives, New Zealand, Paraguay, Peru, Srpska.

1) Defined by any of the financial sector authorities within the jurisdiction either through a legislation or otherwise.
2) An international or regional definition of systemic risk/financial stability.

However, some jurisdictions do not have or refer to any standard definition of systemic risk/financial stability.

Regulatory process to manage systemic risk (KQ2)

Under this Principle, the regulator is expected to have or contribute to a regulatory process (which may be focused on the securities market or be cross sectoral) with respect to systemic risk posed by entities within the scope of its regulation through formalized arrangements. The “formalized arrangement” could be in the form of a plan or a deliberate process.

A number of participating jurisdictions[16] have put in place formalized arrangements to identify, monitor, mitigate and manage systemic risk in different forms, such as:

1) Participation in financial stability groups/, committees, or similar bodies.
2) Regular engagement with market participants and industry associations.
3) Contribution to financial stability reports.
4) Having in place a crisis management policy or group.
5) Participation or contribution to a regional systemic stability board.

The following are examples of good practices related to regulatory process to manage systemic risk:

- **Colombia** has a Coordination Committee for the Monitoring of the Financial System (CCSSF). The Committee plays a central role in activating the Financial Crisis Group (GCF) if a situation is declared to be systemic. These systemic risks are detected through the financial crisis protocol of the financial system safety net.
- **India SEBI** has a comprehensive process for identification, monitoring of various risk indicators, and contribution to financial stability encompassing multiple groups/forums under the umbrella of its Financial Stability Development Council (FSDC) to analyse the various sources of risks, such as an Early Warning Group for detection of early warning signals, Forum for supervision of Financial Conglomerates, Technical Group for discussion of risks to systemic financial stability and inter-regulatory coordination, etc. **India IFSCA** is also a member of the FSDC and participates in the various groups such as FSDC Sub-Committee and Inter Regulatory Technical Group.

[16] Except Chile, Dominican Republic, Maldives, Peru, Srpska.

- **Luxembourg** has a Crisis Management Procedure for investment funds which involves a preliminary risk assessment based on BCL (Banque Centrale de Luxembourg) and CSSF (Commission de Surveillance du Secteur Financier) reporting, which allows for a crisis management strategy to be established. A dedicated task force is set up to carry out ongoing crisis monitoring. Appropriate communication channels are activated and exchanges of information with relevant stakeholders at domestic or international level.
- **Belgium, France, Germany, India SEBI, Portugal, and South Africa** establish and/or issue an internal or public annual/bi-annual risk outlook, financial market risk report, or financial stability report that includes an internal assessment of the most important risks, including financial stability risks, which are identified from input by all operational departments within the securities regulator.
- **Indonesia** has a Committee for Financial System Stability, consisting of the Ministry of Finance, Financial Services Authority, Central Bank, and Deposit Insurance Corporation. The Committee meets quarterly and provides updates to the President on the stability of Indonesia's financial system. Its responsibilities encompass both responding to potential systemic financial risks and preventing their emergence. Additionally, the Committee plays a crucial role in assessing whether the financial system is in crisis, based on established crisis management protocol.

Information Sharing Within the Jurisdiction (KQ3a)

The regulator should have effective information sharing within the jurisdiction relating to systemic risk/ financial stability matters.

Good compliance was generally observed with this key question. Most participating jurisdictions[17] had appropriate arrangements. It was noted that jurisdictions had different models in place to achieve compliance. These different models included twin peaks regulatory regimes, single sector regulators, integrated regulators, and hybrids/combinations thereof.

The arrangements reported were supported by formal and informal co-operation and institutional arrangements. Generally, the securities regulator and the central bank/banking regulator were seen to have documented formalized arrangements to monitor, identify and address systemic and financial stability risks. The formalized arrangements varied for each jurisdiction

[17] Except Dominican Republic, El Salvador, Jordan, Zambia.

depending on the size and complexity of their respective markets. Many jurisdictions (such as Bahamas, Brazil, Egypt, France, Germany, India SEBI, Indonesia, Israel, Mauritius, Qatar, Singapore, South Africa, among others) have established cross sectoral financial stability committees or councils to facilitate systemic risk oversight and usually comprise of the securities regulator, the central bank/banking regulators and other national regulators.

It was also noted that most jurisdictions co-operated with other regulators in their jurisdiction in respect of matters wider than the banking and securities markets in respect of systemic risk and financial stability. For example, there was reference to cooperation for the pensions and insurance markets as well as for AML/CFT compliance.

It was observed that central banks were responsible for assessing/managing systemic risk for the banks within the jurisdiction and where those banks also undertook securities activities there were arrangements in place for co-operation between the central bank and the securities regulator. It was noted that integrated regulators had a focus on each financial sector including the securities sector in their jurisdiction. This focus on a number of regulatory sectors permits an overall market assessment of systemic risk/financial stability risk. In the case of an integrated regulator, it was also observed that there are formalized arrangements with other national authorities, such as the Financial Services departments of the jurisdiction's government, the central bank, the Financial Services Ombudsman and the Financial Crimes Investigation Unit.

The following are examples of good practices related to effective information sharing within the jurisdiction relating to systemic risk/ financial stability matters:

- The responsibility of systemic risk oversight is shared among financial regulators in **Hong Kong, India SEBI[18], Singapore, South Africa, and Thailand**. Each regulator has dedicated resources to collect data, develop analytical models, and conduct stress testing for systemic risk analysis in its respective sector. Data sharing and the exchange of information among the regulatory authorities is frequent at various senior management and working levels and formalized by multiple MoUs. Joint efforts by the regulators on research and analytical projects, risk monitoring, and on-site supervision have also improved the exchange of insights among them. In particular, **Hong Kong and Portugal** have a Council of Financial Regulators

[18] In case of India, both India SEBI and India IFSCA who are regulators participate in the shared mechanism i.e. FSDC for oversight of systemic risk in the country.

to facilitate cooperation and coordination among the various sectoral regulators on financial stability and supervisory matters.

- There is a Round Table on Financial Stability in Parliament in **the Netherlands**. The Dutch Parliament discusses yearly the macro-economic risks for the financial system with the Dutch regulators (De Nederlandsche Bank (DNB), The Netherlands Bureau for Economic Policy Analysis (CPB) and the AFM Netherlands). The Round Table is public, is accessible to (re)watch and the minutes are published as well.
- In **Egypt**, the FRA and the Central Bank of Egypt jointly convene a monthly Financial Stability Committee composed of representatives from both institutions.
- In Peru, the SMV maintain close coordination with other Peruvian financial regulators and there is inter-institutional cooperation agreement with the Central reserve Bank, the superintendence of Banking Insurance and pension Fund administrators to contribute to a more efficient supervision of the financial system.
- In **Mexico**, the Ministry of finance, the Central bank of Mexico and the CNBV are empowered to share information to preserve financial stability.
- In **Canada**, the Canadian securities regulators work together through a voluntary umbrella organization referred to as the Canadian Securities Administrators (CSA). The missions of the CSA articulate around three main objectives which are (i) investor protection, (ii) fair, efficient and transparent markets, (iii) the reduction of systemic risks. Through various committees and formal arrangements, the CSA covers cooperation issues on issues such as systemic risk through a Systemic Risk Committee (SRC) in relation to aspects covered by Principle 6 and Principle 7.
- **Colombia** uses the CPMI-IOSCO Principles for financial market infrastructures (PFMI) to designate systemically important entities.
- A similar coordination approach exists in **France** where a High Council for Financial Stability comprising representatives of the Ministry of Finance, the Central Bank and the Securities Regulator, is tasked with supervising the financial system as a whole and facilitating the cooperation and exchange of information between the institutions that its members represent.

Information Sharing on a Cross-Border Basis (KQ3b)

Similarly, it is important for the regulator to be able to communicate information about identified systemic risk with regulators in other jurisdictions under established procedures or arrangements.

High level of compliance was observed for this key question. Most participating jurisdictions[19] had one or more supervisory MoUs as the primary means of sharing information with other regulators. All the participating jurisdictions have signed the IOSCO MMoU except for Botswana and Eastern Caribbean Currency Union.

Not all the MoUs relate to information sharing in relation to systemic risk/financial stability. A small number of jurisdictions currently have no bilateral MoUs.

Belgium, France, India SEBI, Italy, Saudi Arabia, and Spain, amongst other jurisdictions, have also mentioned participation in the IOSCO Committee on Emerging Risks (CER) as a platform for communication about systemic risks.

In respect of jurisdictions whose markets have significant cross-border financial services, regulators have also entered into regional and international cross-border MMoUs to facilitate information sharing.

Some good practices were also observed in the sharing of information in relation to systemic risk/financial stability on a regional basis through legislation or formalized arrangements, for example:

- Regional MMOUs, such as the European Systemic Risk Board (ESRB) that applies to all EU members in relation to the prevention of systemic risks with the EU.
- Formalized arrangements for broader cooperation such as the IOSCO Asia Pacific Regional Committee (APRC) supervisory MMoU and the Association of Southeast Asian Nations (ASEAN) framework for cooperation in different sectors.
- The Committee of Insurance, Securities and Non-Banking Authorities (CISNA), wherein systemic risk is one of the key discussion areas between CISNA's membership comprising of southern African states.

Another good example of international cross-border information sharing by regulators in multiple jurisdictions is through participation in cross-border regulatory colleges in respect of securities service providers who have cross-border activities.

[19] Except Bahamas, Chile, Dominican Republic, Jordan, Maldives, Pakistan, Srpska, Zambia.

The following examples of good practices related to effective information sharing on a cross-border basis relating to systemic risk/financial stability matters:

- **Hong Kong, India SEBI, Singapore, and Thailand** actively participate in various international working groups. They are also signatories in bilateral MoUs and MMoUs which are listed on their website, including but not limited to, the IOSCO MMoU, EMMoU, and APRC Supervisory MMoU.
- **The Netherlands** and **Quebec** have entered into an MoU that relates to the cooperation between these authorities on the supervision of trading platforms that are supervised in the Netherlands and Quebec. The MoU is a supplement to the IOSCO MMoU to which the AFM and AMF Quebec are also parties.
- **Paraguay** has signed a MMoU at the Iberian America level that involves collaboration and information sharing among securities regulators on Fintech matters.
- **Chile, Colombia, Eastern Caribbean Currency Union, and Peru** participate in regional or global College of Supervisors or Crisis Management Groups (CMGs).

Adequate human and technical resources (KQ4)

In order to fulfil its duties, it is important for the regulator to have appropriately skilled and adequate technical resources with respect to systemic risk and financial stability.

Most of the participating jurisdictions[20] have arrangements with appropriately skilled human and adequate technical resources to support effective risk arrangements. Depending on the size of the market and its complexity, the arrangements varied.

It was also observed that a number of the participating jurisdictions have plans to hire appropriately skilled human resources or to adopt adequate technical resources, however such plans until implemented do not meet the requirement of this key question.

Some participating jurisdictions, such as Indonesia, India SEBI, Luxembourg, have formalized arrangements based on dedicated risk management teams or quality risk officers for each department of the regulator. Other regulators have general risk identification and management arrangements which do not

[20] Except Bahamas, Botswana, Chile, Dominican Republic, Eastern Caribbean Currency Union, Egypt, Jordan, New Zealand, Paraguay, Peru, Srpska, Zambia.

specifically refer to systemic or financial stability risks and are resourced by individuals having assigned responsibilities such as a chief risk officer.

The following are examples of good practices related to whether the regulator has appropriately skilled human and adequate technical resources to support effective risk arrangements:

- **Germany** has centralised risk management with members of the risk management team in every division as well as an internal risk council to identify risks and trends in the financial markets and coordinate responses from a cross-divisional perspective.
- **Egypt** has established a financial stability unit in 2023. To complement these efforts, a financial stability committee was also established in 2024 and meets bi-weekly.
- **India SEBI** has a dedicated Systemic Stability Unit which has two advisory committees (Research Advisory and Market Data) with representation from industry and academics.
- **Liechtenstein** has a regular risk reporting mechanism in place internally and the main systemic risks are published annually in the Financial Stability Report.
- **Luxembourg** has three dedicated risk teams enabling it to focus on different aspects of risk management:
    - Risk Micro team composed of risk experts, performs micro-prudential supervisory work aiming amongst others at assessing the adequacy of risk management systems in place at investment fund managers.
    - Risk International has several specialised team members and deals with international policy work concerning risk management and financial stability.
    - Risk Macro is involved in the general and specific surveillance as well as the crisis management procedure.
- **The Netherlands** possess resources for risk management supported by a Steering Group. While the AFM experts deal with systemic risk issues with a broader economic background and experience with financial stability issues, they are supported by the advice of a broader steering group that regularly convenes to discuss current issues.
- **Singapore** has a dedicated risk management team overseeing financial risk in clearing houses, including reviewing risk frameworks, conducting stress tests, and participating in default management drills. Additionally, a centralized team of financial risk specialists monitors risks across all sectors. MAS also has a Macroprudential Surveillance Department, which includes the Financial & Markets Surveillance Division that monitors global macrofinancial risks, and the Macroprudential Analysis & Policy Division, focused on domestic financial stability, covering areas like the property market, household debt, and stress testing of institutions.

- **Uruguay** has two different departments specialized in macroprudential risk analysis, the financial studies department and the financial analysis department.
- **France** has a dedicated team in charge of studies, risks and financial stability intelligence, which produces micro- and macro-financial analyses on the evolution and regulation of financial markets and alerts on emerging trends and risks.

5.1.3 Gaps in Implementation

Clear responsibilities and definition of systemic risk (KQ1a & KQ1b)

- **Bahamas, Brazil, Jordan, Maldives, Paraguay, Srpska, and Zambia** did not demonstrate that they have clear responsibilities in identifying, monitoring, mitigating and appropriately managing systemic risks related to securities markets and/or in contributing to processes in relation to other financial markets.
- **Bahamas, Brazil, Botswana, Dominican Republic, Eastern Caribbean Currency Union, Jordan, Maldives, New Zealand, Paraguay, Peru, and Srpska** do not have a clear definition of systemic risk.

Regulatory process to manage systemic risk (KQ2)

- **Chile, Dominican Republic, Eastern Caribbean Currency Union, Jordan, Maldives, Peru, and Srpska** did not demonstrate contribution to a regulatory process to identify, monitor, mitigate and manage systemic risk

Information sharing framework and established arrangements for communication among regulators (KQ3a & KQ3b)

- **Brazil, Dominican Republic, El Salvador, Jordan, and Zambia** did not exhibit effective information sharing frameworks in place with other regulators and supervisors within their jurisdiction covering systemic risks
- **Bahamas, Chile, Dominican Republic, Jordan, Maldives, Pakistan, Srpska, and Zambia** did not have information sharing frameworks and established arrangements for communication on a cross-border basis relating to systemic risk/financial stability matters.
- **Dominican Republic** lacks mechanisms in place to communicate information and data about identified systemic risk(s) with regulators in other jurisdictions.

- For **Chile**, systemic risk is not included in the existing information sharing frameworks.

Adequate human and technical resources (KQ4)

- **Bahamas, Botswana, Brazil, Chile, Dominican Republic, Eastern Caribbean Currency Union, Jordan, New Zealand, Paraguay, Peru, Srpska, and Zambia** did not have appropriately skilled human and adequate technical resources to support effective risk arrangements that explicitly refer to systemic risk/financial stability. This is also an area of focus and development for **New Zealand**'s capability.

5.2 Principle 7: The Regulator should have or contribute to a process to review the perimeter of regulation regularly.

IOSCO Methodology The IOSCO Methodology for Principle 7 states that: 1. The regulator should: (a) adopt or adapt its own process, or participate in a process with other regulators and/or government policy-makers, for conducting a regular review of products, markets, market participants and activities so as to identify and assess possible risks to investor protection and market fairness, efficiency and transparency or other risks to the financial system; and (b) have formalized arrangements and/or processes to regularly review the perimeter of regulation in order to promote the identification and assessment of these risks. 2. Such review should include consideration of: (a) whether developments in products, markets, market participants and activities affect the scope of securities regulation; and (b) whether the policy approach underlying the existing statutory or discretionary exemptions, continues to be valid. 3. The process should focus on determining whether the regulator's existing powers, operational structure, and regulations are sufficient to meet emerging risks. 4. The process should also allow for any changes to the existing perimeter of regulation to be made in a timely manner in response to an identified emerging risk. Such a necessary change may include the regulator seeking changes to legislation.

5.2.1 Implementation Overview

The basic premise of Principle 7 is to ascertain whether the regulator performs a regular review of the perimeter of regulation thereby promoting a regulatory framework that supports investor protection, fair, efficient, and transparent markets, and the reduction of systemic risk. In this context the regulator must demonstrate that he has or that he contributes to a regular review process.

This regular review process needs to also consider the effectiveness of existing regulations and the need to modify them or adopt new regulations in light of new market developments. In particular, such review will need to address the risk of regulatory arbitrage arising from changes to the intensity of regulation across the financial sector. Examples of such processes could include: a team, group, or division within the organization to identify risks, regulatory gaps or conflicts but can also be structured as formal or informal means of surveying or assessing the perimeter of regulation.

The review of the regulatory perimeter should be integrated into securities regulators' risk management frameworks through formalized processes and arrangements.

Although principles 6 and 7 are interrelated in nature and similar processes might be applied by the regulator for both principles, Principle 7 is broader in scope (including systemic risks and other risks) and is not limited to the regulator's mandate.

The Review found that, overall, a high level of implementation by participating jurisdictions has been observed for Principle 7. Participating jurisdictions review the perimeter of regulation. However, the level of formalization varies while some have specific risk specialists and/or dedicated risk management teams. For a number of the jurisdictions, the frequency/timeframe for the review process needs to be better formalized.

5.2.2 Key Findings

Regulatory process to identify and assess whether regulatory framework effectively addresses risks (KQ1)

It is important for the regulator to have a process in place to be able to identify and assess whether its regulatory framework effectively addresses risks. Jurisdictions have adopted different approaches to addressing the review of the regulatory perimeter. Securities regulators' ability to review the regulatory perimeter are expected to be based either on a mandate to do so or on the fact that the regulator has the direct power to issue and amend rules as needed.

Most participating jurisdictions[21] have responded that securities regulators have the ability to review the regulatory perimeter via different means, for example, directly through the participation to ad hoc groups/committees set up at national or financial regulators level, through the participation to centralised regulatory processes, such as EU jurisdictions.

Some jurisdictions have specific competences to review their regulatory perimeter and the possibility of initiating a legislative procedure when the regulatory circumstances of the market so require. In other jurisdictions, the regulator's competence derives from general regulation, such as company law and regulation and the commercial code (i.e. not as such limited to securities laws).

The following are examples of good practices related to whether the regulator has regulatory process to identify and assess whether regulatory framework effectively addresses risks:

- **Egypt** holds a bi-weekly Financial Stability Committee meeting dedicated to risk assessment of Non-Bank Financial Institutions (NBFIs) or any risk related to the new product or mechanism. To ensure market alignment, the FRA regularly engages with market regulators, market participants, and associations. Furthermore, ad-hoc meetings and working groups are convened to refine new products or mechanisms before their implementation.
- The regulatory review perimeter process through a group of financial regulators, **Canada** has been structured around the Canadian Securities Administrators which has put in place a Systemic Risk Committee, which in relation to both, systemic risk assessments under Principles 6 and 7 conducts as comprehensive and systematic assessment (including a systematic risk survey with market participants), which includes risks that may emerge outside the regulatory perimeter.
- Regarding informal processes which can come in addition to formal internal processes, **Australia** engages with other domestic regulators, with external panels, and with international forums.
- With respect to ad hoc groups, during the recent energy crisis in Europe in 2022, **Germany** monitored the energy derivatives markets together with the energy regulator in order to remain informed of the developments in the energy markets and deploy regulatory tools where and when necessary. The regulatory review process in **India** is structured within the group of regulators around the working of its FSDC. Both India SEBI and India IFSCA are members of the FSDC. India SEBI, upon identification of any potential

[21] Except Chile, Egypt, Srpska.

risks, also constitute an expert committee/ working group. It also coordinates within formal frameworks of State Level Coordination Committees and Regional Economic Intelligence Committee with other financial/non-financial authorities for information sharing.

Process for review when circumstances change (KQ2)

It is important for the regulator to have a formalized arrangement and/or a process in place to review, when there is evidence of changing circumstances, its past regulatory policy decisions on products, markets, entities, market participants or activities, especially decisions to exempt, and be able to take measures as appropriate.

The Review noted that the majority of the participating jurisdictions[22] do have formalized arrangement and/or a process to review, when there is evidence of changing circumstances, its past regulatory policy decisions on products, markets, entities, market participants or activities, especially decisions to exempt, and take measures as appropriate.

The following measures/arrangements, *inter alia, were* observed:

- Committees to monitor regulatory developments.
- Review/ Evaluation of the relevant regulations or rules.
- Supervisory risk data collection.
- Risk-based approach.
- Internal procedure for handling regulatory inquiries.
- Review of policy decisions described in legislative framework.
- Liaison with other regulatory agencies.
- Establishment of regulation issuance process.
- Consultation with industry for new policy document or regulation.
- Financial consumers or investors' complaints.
- Information gathering exercise involving all counterparties.

The following are examples of good practices related to whether the regulator has a review process when circumstances change:

- **Dominican Republic** carries out a regulatory quality analysis of current regulations with the aim of identifying, modifying or eliminating those that establish unnecessary, unjustified, disproportionate, redundant or not in accordance with the law and good practices or procedures.
- **Dubai** uses 'Call for Evidence' as a resource to inform itself in its policymaking work which is an information gathering excise in which all

[22] Except Botswana, Chile, Eastern Caribbean Currency Union, Jordan, Paraguay, Slovenia, South Africa

interested parties, especially individuals, organizations and stakeholders with specific knowledge are invited to provide feedback and evidence on various aspects such as benefits, effects, impact, evaluations on public interest, and any other relevant responses, to the issues being considered.

- The review process for past regulatory policies in **Egypt** is triggered by evidence of changing circumstances, such as public complaints, new research, or emerging evidence. The specific policy or exemption under review is then identified, along with relevant stakeholders who might be affected. A clear timeline is established for the review. This involves examining past policy documents and rationales, conducting research on the policy's impact and the changed circumstances, and gathering public input through surveys, hearings, or online forums. A committee analyses this information to assess the effectiveness of the existing policy, the need for revisions due to changed circumstances, and the potential costs and benefits of various options. The committee then prepares a report with recommendations for maintaining, modifying, or revoking the policy.
- **Indonesia** has designated a risk quality officer in each department. These officers are responsible for identifying risk profiles that are relevant to the exercise of the functions of each department and developing measures to mitigate the risk as well as the timeline for implementation. They meet periodically and give updates on the implementation of risk mitigation measures.
- The various expert Standing Advisory Committees in **India SEBI** periodically assess the provisions of regulations for Ease of Doing Business, and implementation of common standards along with providing inputs and feedback on changed circumstances to prompt review.
- **Jersey** has a 'Horizon Scanning Framework' that provides a holistic view of future trends, such as what is coming, what changes may benefit the JFSC, and what changes are going to be the disruptors.
- **Luxembourg** is using FAQs to address changing circumstance. For example, when faced with deteriorating market circumstances of the Russia-Ukraine crisis, the CSSF adapted the application of liquidity management tools (LMTs) for UCITS in a timely manner by publishing an FAQ on the application of LMTs in March 2022. The CSSF FAQ deals with the challenges faced by UCITS in the wake of the Ukraine Crisis on how to deal with illiquid/non-tradeable Russian and Belarussian assets in their portfolios. The FAQ discusses the options available to investment fund managers with respect to UCITS with a higher exposure to such suddenly illiquid assets by various ways of segregation (i.e. by side-pocketing such assets by creating a new share-class or by splitting the assets into separate funds). It concludes with guidance on the necessary analysis to be

completed by investment fund managers, the required disclosure to investors and prior notification procedure to the CSSF.

Process to review unregulated products, markets, market participants, and activities (KQ3)

In order to fulfil its duties properly, the regulator should participate in a process (with other financial system supervisors and regulators if appropriate) which reviews unregulated products, markets, market participants and activities, including the potential for regulatory arbitrage, in order to promote investor protection and fair, efficient and transparent markets and reduce systemic risks. The identification of risks posed by unregulated products, markets, market participants and activities, including those resulting from innovation and technology is a key element under this Principle.

Most of the participating jurisdictions[23] reported that they have formalized processes in place to review unregulated products, markets, market participants, and activities. It was observed that the majority of the jurisdictions worked together with other financial regulators/authorities (i.e. mostly in the EU jurisdictions) in reviewing unregulated products or activities, whereas jurisdictions such as China, India, and Jersey have the processes to review such issues by themselves.

Some jurisdictions are not only collaborating with other financial regulators, but also working with the industry or private sector. For example, Jersey worked with industry to undertake a gap analysis against its funds' regime compared with the EU's Alternative Investment Fund Managers Directive regime.

In some cases, for example in Zambia, although there are no formalized or structured processes, the regulator participates in the processes for the enactment of new laws and regulations championed by other regulators.

The following are examples of good practices related to whether the regulator has a process to review unregulated products, markets, market participants, and activities:

- **Dubai** uses complaints to help identify unregulated activities or unregulated businesses, and to that extent it urges the public to submit the complaint regardless of whether a complaint is relevant.
- The FRA **Egypt** and the Central Bank of Egypt has established a joint committee by Law No. 194 of 2020 to promote financial stability in Egypt.

[23] Except Botswana, Dominican Republic, Egypt, Srpska.

The financial stability committee can discuss all products, markets and activities that may cause regulatory arbitrage.

- In **Uruguay**, the SSF is an integrated supervisory for all markets. Banco Central del Uruguay, which was established as an integrated supervisor through the SSF and Payment System through RD 286/2020, has created an innovation office to attend and coordinate internal innovation projects through the innovation node and study the pertinent regulatory changes.

Legislative or other changes when identifying a regulatory weakness or risks (KQ4)

The regulator should be able to seek legislative or other changes when it identifies a regulatory weakness or risk to investor protection, market fairness, efficiency, and transparency that requires legislative or other changes

The Review noted that most of the participating jurisdictions[24] mentioned that changes in measures, policies, or legislation are made when any regulatory weaknesses or risks are identified. It was observed that regulators adopt measures to address shortcomings as they occur in the areas of products, investor related aspects, and transparency. However, some jurisdictions may lack legislative power. They need to initiate legislative changes with the Ministry of Finance.

In most instances, the Review Team noted that there are close collaborations between the securities regulator and other financial authorities in order to bring changes in the legislative framework.

The following are examples of good practices related to whether the regulator has legislative or other changes when identifying a regulatory weakness or risks:

- The government of **Australia** has introduced a product intervention power which enabled ASIC to make a product intervention order when a financial product or a credit product has resulted, will result, or is likely to result in significant consumer detriment. The product intervention power allows ASIC to take a more proactive approach to regulating the market and reducing the risk of significant consumer detriment.
- **India** IFSCA has a formalized review required by legislation. IFSCA is required to review each regulation every three years unless a review is warranted earlier and amend or repeal any regulation.
- JFSC recommended to **Jersey** Government that legislative changes were made to change Jersey's regime to comply with recommendations

[24] Except Liechtenstein and Srpska.

following IOSCO's 2016 Thematic Review of Protection of Client assets. Legislative changes were made following consultation.

5.2.3 Gaps in Implementation

Process for review when circumstances change (KQ2)

- **Botswana, Chile, Eastern Caribbean Currency Union, and Jordan** reported that there is no formal arrangement and/or a process to review, when there is evidence of changing circumstances in place.

Process to review unregulated products, markets, market participants, and activities (KQ3)

- **Dominican Republic and Botswana** do not participate in any formalized process which reviews unregulated products, markets, market participants and activities, including the potential for regulatory arbitrage.

Chapter 6 – Conclusion and Recommendations

The ISIM Review of Principles 6 and 7 indicates that, overall, the implementation of Principles 6-7 is found to be generally high across most of the participating jurisdictions, but some gaps were identified, with recommendations as described below.

As mentioned earlier in the report, the Review noted several gaps in the implementation of Principles 6 and 7, particularly in nascent and emerging market jurisdictions. These gaps clearly bring out the need for further reforms to be considered by the respective jurisdictions.

In light of the gaps and corresponding recommendations, there can be a case for participating jurisdictions to consider approaching IOSCO for seeking, as necessary: (a) support letter from IOSCO for endorsing the need for legislative reforms; and /or (b) capacity building/ technical assistance for implementing regulatory reforms.

Accordingly, the following recommendations have been formulated for these jurisdictions.

Recommendations

Principle 6

Clear responsibilities and definition of systemic risk (KQ1a & KQ1b)

- **Bahamas, Brazil, Jordan, Maldives, Paraguay, Srpska, and Zambia** should have clear responsibilities in identifying, monitoring, mitigating and appropriately managing systemic risks related to securities markets and/or in contributing to processes in relation to other financial markets.
- **Bahamas, Brazil, Botswana, Dominican Republic, Eastern Caribbean Currency Union, Jordan, Maldives, New Zealand, Paraguay, Peru, and Srpska** should consider introducing a clear definition of systemic risk.

Regulatory process to manage systemic risk (KQ2)

- **Chile, Dominican Republic, Eastern Caribbean Currency Union, Jordan, Maldives, Peru, and Srpska** should have, or should contribute to a regulatory process to identify, monitor, mitigate and manage systemic risk. The formalized arrangements could be in form of a deliberate and periodic process, where holistic and systematic analysis of the markets is conducted and documented. Having a process in place is important in mitigating risks to market trust and investor protection.

Information sharing framework and established arrangements for communication among regulators (KQ3a & KQ3b)

- **Brazil, Dominican Republic, El Salvador, Jordan, and Zambia** should consider developing effective information sharing frameworks with other regulators and supervisors within their jurisdiction. The frameworks should allow the information sharing related to systemic risks and/or financial stability. This is an essential component for the delivery of an effective regulatory response to systemic risk.
- **Bahamas, Chile, Dominican Republic, Jordan, Maldives, Pakistan, Srpska, and Zambia** should consider developing information sharing mechanisms for cross-border information sharing relating to systemic risk/financial stability matters.
- **Dominican Republic** should consider developing mechanisms to exchange information and data about identified systemic risk(s) with regulators in other jurisdictions.
- **Chile** should consider including specific information on systemic risks in their existing information sharing frameworks.

Adequate human and technical resources (KQ4)

- **Bahamas, Botswana, Brazil, Chile, Dominican Republic, Eastern Caribbean Currency Union, Jordan, New Zealand, Paraguay, Peru, Srpska, and Zambia** should consider hiring and retaining appropriately skilled human resources and adequate technical resources to support effective risk arrangements that explicitly refer to systemic risk/financial stability.

Principle 7

Process for review when circumstances change (KQ2)

- **Botswana, Chile, Eastern Caribbean Currency Union, and Jordan** should consider implementing a formal arrangement and/or a process to review, when there is evidence of changing circumstances, its past regulatory policy decisions on products, markets, entities, market participants or activities, especially decisions to exempt, and take measures as appropriate. Formal arrangements could be set up in many ways – for example a team could be set up to identify risks, regulatory gaps or conflicts, or the regulator could be party to a formal or informal group of financial regulators that share information and discuss the regulatory perimeter. Ad-hoc groups could be set up to identify and assess risks in response to a crisis or on a periodic basis, or any other formal or informal means of surveying or assessing the perimeter of regulation.

Process to review unregulated products, markets, market participants, and activities (KQ3)

- **Dominican Republic and Botswana** should consider developing a formalized process to review unregulated products, markets, market participants and activities, including the potential for regulatory arbitrage in the markets. This process should include components which involve securities regulators systematically identifying the scale and scope of emerging risks, build on existing risk identification frameworks, and recognize that different approaches maybe be required to discern and assess different types of risks.

Annex 1 - Assessment Methodology and Questionnaire

https://www.iosco.org/members_area/file.cfm?file=members-area%5Ccmt%5C19%5Cagenda%5C2024-07-10%5CAg.%20item%203_ISIM%20P6-7%20Assessment%20Methodology%20and%20Questionnaire%20(AC-2024-40).pdf

Annex 2 - List of Participating Jurisdictions

1. Angola (Comissão Do Mercado De Capitais)
2. Argentina (Comisión Nacional De Valores)
3. Australia (Australian Securities and Investments Commission)
4. Bahamas (Securities Commission of The Bahamas)
5. Belgium (Financial Services and Markets Authority)
6. Botswana (Non-Bank Financial Institutions Regulatory Authority)
7. Brazil (Comissão De Valores Mobiliários)
8. Canada – Joint Response
    - Alberta (Alberta Securities Commission)
    - British Columbia (British Columbia Securities Commission)
    - Ontario (Ontario Securities Commission)
    - Quebec (Autorité des marchés financiers)
9. Chile (Comisión Para El Mercado Financiero (Financial Market Commission)
10. China (China Securities Regulatory Commission)
11. Colombia (Superintendencia Financiera De Colombia)
12. Dominican (Republic Superintendencia Del Mercado De Valores)
13. Dubai (Dubai Financial Services Authority)
14. Eastern Caribbean Currency Union (Securities Regulatory Commission)
15. Egypt (Financial Regulatory Authority)
16. El Salvador (Superintendencia Del Sistema Financiero)
17. France (Autorité des marchés financiers)
18. Germany (Bundesanstalt Für Finanzdienstleistungsaufsicht)
19. Hong Kong (Securities and Futures Commission)
20. India (International Financial Services Centres Authority)
21. India (Securities and Exchange Board of India)
22. Indonesia (Indonesia Financial Services Authority)
23. Israel (Israel Securities Authority)
24. Italy (Commissione Nazionale Per Le Società E La Borsa)
25. Japan – Joint Response
    - Financial Services Agency
    - Ministry Of Economy, Trade and Industry
26. Jersey (Jersey Financial Services Commission)
27. Jordan (Jordan Securities Commission)
28. Liechtenstein (Financial Market Authority)
29. Luxembourg (Commission De Surveillance Du Secteur Financier)
30. Maldives (Capital Market Development Authority)
31. Mauritius (Financial Services Commission)

32. Mexico (Comisión Nacional Bancaria Y De Valores)
33. The Netherlands (The Dutch Authority for The Financial Markets)
34. New Zealand (Financial Markets Authority)
35. Pakistan (Securities and Exchange Commission)
36. Paraguay (Comisión Nacional De Valores)
37. Peru (Superintendencia Del Mercado De Valores)
38. Portugal (Comissão Do Mercado De Valores Mobiliários)
39. Qatar (Qatar Financial Centre Regulatory Authority)
40. Saudi Arabia (Capital Market Authority)
41. Singapore (Monetary Authority of Singapore)
42. Slovenia (Securities Market Agency)
43. South Africa
    - Financial Sector Conduct Authority
    - Prudential Authority
44. Spain (Comisión Nacional Del Mercado De Valores)
45. Srpska (Republic of Securities Commission of the Republic Srpska)
46. Thailand (Securities and Exchange Commission)
47. Türkiye (Capital Markets Board)
48. United Kingdom (Financial Conduct Authority)
49. Uruguay (Banco Central Del Uruguay)
50. Zambia (Securities and Exchange Commission)

Annex 3 - Overview of Responses to Additional Questions

In addition to the Key Questions used in the Questionnaire for the Review (see Chapter 5), the Questionnaire included some "additional questions". Some points deriving from such "additional questions" are summarized in the following paragraphs.

It is important to note that while the Key Questions in the Questionnaire were used for purposes of the Review (i.e. identify gaps in implementation as well as examples of good practices in implementing Principles 6 and 7), the "additional questions" were not used for the purposes of the Review. Rather, the "additional questions" were included for the Review Team to understand some novel issues that jurisdictions might have experienced in relation to dealing with systemic risk and the review of the perimeter of regulation, in view of the ever-evolving financial markets and the emergence of new products.

Principle 6: The Regulator should have or contribute to a process to identify, monitor, mitigate and manage systemic risk, appropriate to its mandate.

Definition of systemically important (Additional Question 5)

More than half of the participating jurisdictions have defined "systemically important" within the existing frameworks, while some have provisions specifically for such definition within their jurisdictions. Within these jurisdictions, some rely on the framework built upon banking and securities regulators or relevant subsidiary legislations. Whereas some are based on the international definitions, such as Domestic Systematically Important Banks (DSIB), the Financial Stability Board, European Systemic Risk Board, or Basel Committee on Banking Supervision.

In particular, all EU jurisdictions have definition related to systemically important institutions and/or services, either by their own framing or through reference to EU definitions.

Designated systemically important types of financial intermediaries or financial market infrastructures operating or providing services (Additional Question 6)

Most of the participating jurisdictions have designated systemically important types of financial intermediaries (FIs) or financial market infrastructures (FMIs) operating or providing services. Some of these jurisdictions have frameworks in place to identify systemically important FIs or FMIs according to different sectors, custodians, asset managers and management companies. These frameworks are developed either by their own criteria or in line with the CPMI-IOSCO PFMI.

Meanwhile, to designate systemically important FIs or FMIs, some jurisdictions have to undergo evaluation and are ultimately approved by the higher authority, considering the nature of their infrastructure and service-related responsibilities.

Participation in national, regional, or global College of Supervisors or Crisis Management Group (Additional Question 7)

Almost all of the participating jurisdictions have been participating in national, regional, or global College of Supervisors or Crisis Management Group (CMG). These jurisdictions are well connected through a number of cross-jurisdictional working groups, national councils, or global networks, such as, IOSCO Committees, regional working groups, or supervisory college. In particular, some jurisdictions from the APRC have also participated in their regional ASEAN network.

Some of this participation or cooperation are also done through communication channels such as bilateral or multilateral memorandum of understanding (MoU). This facilitates the exchange of information and cooperation among foreign regulators.

Principle 7: The Regulator should have or contribute to a process to review the perimeter of regulation regularly.

Perimeter review of novel products, services or activities (Additional Question 5)

It was observed that the approaches to review the perimeter for Regulations varies for jurisdictions. Each participating jurisdiction applies different steps covering FinTech, crypto assets, sustainable finance, and finfluencers.

Perimeter review of novel services such as critical services provides or outsourced service providers (Additional Question 6)

The responses varied among participation jurisdictions. Most of the participating jurisdictions indicated that they have the framework regarding critical services or outsourced service providers. It is observed that the most commonly critical services are information technologies (IT) and cloud services.

Cross-border cooperation on risks that have a potential impact on investor protection, market integrity, and systemic risks (Additional Question 7)

Most of the participating jurisdictions mentioned that they have in place arrangements for cross-border cooperation. The most used arrangements are bilateral or multilateral MoU, which are drafted in broad agreements on market integrity and systemic risks. Many participating jurisdictions have highlighted cooperation with other regulators and working with international organizations, such as the Global Financial Innovation Network (GFIN) or IOSCO CER.