

SMI Markets: Global

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IOSCO Launches its First Securities Markets Risk Outlook

On 15 October 2013, the International Organisation of Securities Commissions (IOSCO) published the IOSCO Securities Markets Risk Outlook for 2013-2014. The report highlights important trends, vulnerabilities and risks in securities markets that may be of concern from a systemic perspective. The Outlook is aimed at providing IOSCO members with the information they need to adopt a forward looking approach in dealing with potential vulnerabilities and risks to global securities markets and the global financial system as a whole.

The information and data were drawn from extensive consultation with experts, industry and other market participants; a survey to regulators, industry and academics; roundtables; and robust data analysis and literature review. The Outlook identifies and analyses in depth four main risks as follows:

- **Risks related to low interest rate environment:** While expansionary monetary policies may help stimulate the real economy, spill-over effects may create potential risks for securities markets.
- **Risks related to collateral management:** In response to global policy requirements, demand from investment firms for high quality collateral has increased significantly. This growing demand has altered the balance of collateral in the system, diminishing availability of high-quality collateral and could impact pricing.
- **Risks related to derivatives markets:** OTC derivatives markets have undergone significant reform since the financial crisis, entailing the mandatory clearing of derivative contracts through central counterparties (CCPs). However, shifting the risk from bilateral OTC contracts to a single point of infrastructure is a challenging balancing act.
- **Risks related to capital flows of emerging markets:** Debt securities and non-bank lending have overtaken foreign direct investment and banking lending as the main source of these capital inflows. After the announcement of the tapering of the expansionary monetary policies of the FED, a sudden reversal in capital inflow occurred, highlighting the need for further structural reforms aimed at making securities markets more resilient.

The Outlook represents one aspect of IOSCO's new role in the assessment and mitigation of global systemic risks. Also, IOSCO recently published the report on cyber-crime, securities markets and systemic risk, and going forward it will publish reports on crowd funding, corporate bond markets and incentive structures in supervision.

Copy of the official announcement and the documents are available here: [IOSCO Press Release](#); [IOSCO Securities Markets Risk Outlook for 2013-2014](#); [IOSCO Cyber-crime, securities markets and systemic risk](#).

Market Information Impact

Global

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