

## GLOBAL CO-ORDINATION IN REGULATORY RESPONSE TO COVID-19

The COVID-19 pandemic caused the global financial system to experience its biggest stress event since the global financial crisis. While the cause did not emanate from the financial sector, the pandemic had created a tumultuous environment in the financial markets.

Members of the International Organization of Securities Commissions (IOSCO) including the SC co-operated to manage their responses to the risks and challenges faced by the capital markets. IOSCO is the leading international standard-setter for securities regulation, whose membership regulates more than 95% of the world's capital markets worth around US\$140 trillion, in approximately 120 jurisdictions.

The pandemic highlighted the importance of global co-ordination in regulatory responses during times of market stress. Throughout extreme volatility, international regulators through IOSCO reinforced the importance of ensuring markets remain open and continue to function in an orderly manner to enable participants to price and transfer risks across asset classes. Global regulators also focused on ways to provide appropriate flexibility to help market participants address challenges arising from the pandemic. These included, among others, adjusting onsite inspections, oversight requirements, and providing flexibility on requirements related to AGMs, as well as ensuring high quality financial reporting and disclosure obligations are maintained.

As an elected member of the IOSCO Board, the SC participated in frequent information-sharing with its peers from both developed and emerging market jurisdictions to identify and mitigate issues arising from COVID-19. These included the development of IOSCO's COVID-19 repository of measures that global regulators have taken to mitigate risks to investor protection, market integrity and financial stability. The repository covered the types of measures, rationale and impact these measures have had on respective markets.

Among IOSCO's other priorities during the year were to address areas of market-based finance that are most exposed to heightened volatility, constrained liquidity and the potential for pro-cyclicality. These included examining investment funds as well as margin and other risk management aspects of central clearing for financial derivatives and other securities. Following the publication of the earlier *Report on Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO's newly established Board-level Sustainable Finance Task Force, which the SC is a member of, is also taking forward work on disclosure, greenwashing and ESG ratings, among others.

Substantial resources are also devoted to retail investor protection, particularly given the growing retail participation in global capital markets. To this end, the IOSCO Board's Retail Market Conduct Task Force is examining how the market turmoil caused by COVID-19 has given rise to increased misconduct in financial services for retail investors.

The SC's active participation in these areas has allowed the organisation to gain valuable insights on global regulatory developments and policy measures taken, including their effectiveness. It has helped shape its responses for the Malaysian capital market and ensured that its policies are in line with global practices.

The SC also continued to enhance its supervisory efforts through participation in regional supervisory colleges, and regular dialogues on strategic and thematic supervisory issues to keep abreast of supervisory developments across the region. In 2020, the SC with other international regulators conducted a follow-up review on market intermediaries' responses and action plans to the supervisory college feedback as well as the operational challenges arising from COVID-19 and emerging supervisory concerns.

In 2020, to have the maximum reach, the IOSCO Asia Pacific Hub (The Hub) hosted by the SC in its premises, leveraged heavily on technology to undertake its capacity-building activities. The Hub produced a series of webcasts on the implications and various issues of COVID-19, including the outlook to regional financial markets, financial reporting and disclosures, cyber security, retail investor protection and sustainable finance.