FOSTERING INTERNATIONAL REGULATORY COOPERATION

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Global markets, common regulatory outcomes: The IOSCO Effect

Technological innovation and the rising interconnectedness of global capital markets are driving profound transformations in the financial sector. As jurisdictions modernize regulatory frameworks to reflect market developments and technological advances, IOSCO serves as a strong bridge-builder, helping market regulators keep pace and providing global solutions to fast evolving global challenges.

Serving as a catalyst for global regulatory alignment, the organization supports a flexible framework to contribute to global market development. This approach ensures that despite diverse legal systems, the core objectives of investor protection, market integrity, and financial stability remain universally upheld and fragmentation is contained.

IOSCO standards and recommendations have always been purported to be outcomes focused and principles based. Working on a consensus basis at all phases of risk identification, priority setting and policy development ensures a clear buy-in from our members for the faithful implementation across member jurisdictions, while respecting local specificities. This flexibility is not a weakness but a strength; it allows jurisdictions to align around common outcomes, such as investor protection and market integrity, while retaining the adaptability necessary for diverse legal systems. Outcomes-based standards have proven particularly resilient, enabling cooperation even when rules differ. By actively engaging with external stakeholders and leveraging an inclusive process, IOSCO ensures its standards reflect collective wisdom and practical realities. This consensus-driven method fosters trust and ensures that global standards are not merely theoretical but are effectively integrated.

This philosophy is vividly illustrated in IOSCO's recommendations for crypto and digital assets and the recent thematic review assessing their implementation across jurisdictions. Overall, the thematic review concluded that significant progress is being made in the implementation of the key elements of the recommendations. Jurisdictions are implementing legal and regulatory frameworks, with some having adapted existing legislation or introduced new legislation in line with IOSCO's recommendations.

Our work on tokenization is another example of our collective ability to monitor global market developments and initiatives lucidly. We recognise that real benefits arise from the technology. But developments remain nascent and that scale depends on fixing fundamentals (things like interoperability, settlement assets, disclosure of rights associated to tokenised assets, and custody arrangements), beyond the technology alone. This is precisely where international dialogue adds value: by establishing common understanding, IOSCO enables jurisdictions to innovate responsibly, ensuring that technological advancements enhance efficiency without compromising stability.

Operational resilience is another vital priority, carrying immense importance for all members—spanning both large, sophisticated financial centres and emerging markets—regardless of differences in their legal frameworks.

Given the incredible speed of development with frontier AI models, resilience is increasingly critical. The fundamentals, such as sound governance, clear accountability and tested controls, are consistent across jurisdictions, and that consistency is itself a form of international alignment. It remains a standing priority within IOSCO's work programme and is frequently a topic of discussion within IOSCO.

Also in the realm of artificial intelligence, IOSCO has recently published a Supervisory Toolkit for AI Use in Capital Markets. This toolkit supports regulators in overseeing AI systems across their full lifecycle, addressing risks related to complexity, transparency, and third-party dependencies. It provides practical tools for monitoring adoption and enhancing oversight, ensuring that AI benefits are realized while safeguarding market integrity.

Through peer learning and capacity building, IOSCO helps members strengthen their supervisory capabilities, ensuring they can effectively monitor vulnerabilities such as the emergence of complex new product types, the rise of digital assets and operational risks, contributing to implementation of agreed standards.

International standards contribute strongly to reducing regulatory arbitrage and enhancing cross-border cooperation. IOSCO's Multilateral Memorandum of Understanding (MMoU), with 132 signatories (recently welcoming our Ukrainian counterpart), remains a pillar of enforcement cooperation, enabling timely information sharing. Furthermore, high-quality data are central to effective oversight. IOSCO's Investment Funds Statistics Dashboard helps regulators compare fund's leverage and exposures globally, supporting better risk monitoring.

Moreover, IOSCO has deepened its collaboration with the Financial Stability Board and other international bodies to provide a securities sector perspective on horizontal developments such digital innovation, tech-driven disruptions and interconnected markets.

In conclusion, IOSCO is well-positioned to foster coherence through comparable outcomes, acting as a forum for dialogue, promoting consistent implementation, and adapting to new realities. Where markets are genuinely global, fragmented frameworks create real costs for investors and intermediaries alike. That is where IOSCO adds practical value: not solely as a rule-setter, but as a powerful common denominator and as a resource to our members to make cross-border markets function effectively.

TOSHIYUKI MIYOSHI

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Structural shifts in the life insurance sector: IAIS insights

The global life insurance market is undergoing significant structural shifts, driven particularly by increased investments in alternative assets such as private credit and the growth of asset-intensive reinsurance.

The IAIS has been closely monitoring these trends since 2021. In the past year, this work produced two outputs: (i) a sector-wide thematic focus on private credit in the 2025 Global Monitoring Exercise (GME); and (ii) an issues paper analysing the drivers and potential risks of these structural shifts and supervisory responses.

Traditionally, life insurers have relied heavily, but not exclusively, on high-quality bonds and equities to ensure liquidity and maintain value for meeting long-term liabilities. However, prolonged low interest rates and the search for higher returns and diversification have driven insurers to increase their investments in alternative assets, such as private equity (PE), real estate, infrastructure, hedge funds and private debt. This trend has continued even as interest rates have risen, reflecting broader factors such as an increased demand for insurance products with retirement savings features, driven by demographic shifts in advanced economies and broader economic trends.

Private credit is a growing subsector of alternative assets with distinctive characteristics. Private credit offers life insurers potential benefits such as higher yields, diversification, illiquidity risk premiums and improved asset-liability matching. This asset class can be attractive to life insurers seeking stable, long-term cash flows to match their liabilities. It can support the real economy through long-term financing for sectors like infrastructure, while potentially offering insurers higher yields and lender-friendly protections.

While these alternative assets bring benefits, they also come with risks, such as valuation uncertainty, illiquidity and complexity, which require robust risk management and careful alignment with insurers' liabilities. Additional concerns include hidden leverage, conflicts of interest, credit rating reliability, capital considerations, and information gaps.

The implications of these structural shifts also depend on how they may evolve under stress and whether they could give rise to systemic risk.

> **The IAIS will enhance its systemic risk analyses of structural shifts in the life insurance sector.**

From a system-wide perspective, current exposures of the global insurance sector to alternative assets and AIR remain limited, so the near-term risk to global financial stability is relatively small. However, rapid growth in these areas could increase risks over time. Potential transmission channels may include insurers' forced asset liquidations in stress, including those to meet liquidity needs from policyholder behavior, a rapid withdrawal of insurers from lending markets, and mass AIR recaptures which could lead to financial market disruption by triggering market-wide rebalancing of investment portfolios by insurers.

Growing interconnectedness of life insurers with other financial institutions through alternative asset markets creates potential contagion risks. Risks may be amplified by the use of leverage in alternative asset market, and the concentration of AIR transactions backed by significant holdings of alternative assets in a small number of insurers in a few jurisdictions.

Responding to these evolving risks requires continued monitoring, analysis and effective supervisory responses.

The IAIS's Global Monitoring Exercise provides a strong foundation for addressing emerging risks and data gaps. The GME allows the IAIS to provide a strong empirical insurance sector perspective into international cross-sectoral discussions, ensuring the specificities of the insurance sector and its regulation are adequately represented.

The IAIS provides regular reports and input to the Financial Stability Board (FSB) on the key outcomes of the global insurance sector risk assessment and supervisory response, as conducted through the annual data-driven GME. Recognising the interconnectedness of these risks within the broader financial sector, the IAIS is working closely with the International Monetary Fund (IMF) and FSB to strengthen the insurance supervisory perspective in policy debates and to align cross-sectoral responses to systemic risks.

Looking ahead, the IAIS has several initiatives planned to address systemic risks. This year the IAIS will enhance its systemic risk analyses of structural shifts in the life insurance sector, including private credit, to strengthen global monitoring and improve understanding of emerging risks and vulnerabilities. At the same time, we are developing application papers on alternative assets and AIR to provide practical guidance to supervisors and strengthen supervisory practices. In addition, the IAIS will review the Insurance Core Principles (ICPs) to ensure that our standards remain robust and any identified gaps are addressed.

MARK T. UYEDA

Commissioner – U.S. Securities and Exchange Commission (SEC)

Global regulatory cooperation does not necessarily mean global uniformity

Capital markets operate on a global basis, with investors choosing which regions, industry sectors, and companies to invest in. What makes capital markets credible is not just liquidity or exchange listing rules, but the governance structure affecting the relationship between a company and its investors. When investors allocate capital, they are judging whether companies in that market are run with accountability, transparency, and genuine regard for shareholder interests. However, it would be a mistake to view corporate governance as a uniform set of legal requirements or best practices. Allowing flexibility in governance structures, with appropriate disclosure, can facilitate capital formation and economic growth.

Regulators have an important role in supporting trust and function in the markets. Disclosure needs to be accurate, investors must have relevant information, and companies and their executives must be held accountable. The more difficult question is where regulation ends and the role of boards, shareholders, and management begins.

My own view is that the most effective governance comes from within: from boards that take their responsibilities seriously, from shareholders who are genuinely engaged, and from management that understands accountability as a feature of good leadership. Regulation that reinforces those dynamics tends to work well. Regulation that seeks to substitute for them—prescribing specific governance structures and processes rather than enabling informed investor decisions—is less likely to achieve those aims, and more likely to have substantial compliance costs without corresponding benefits.

New Challenges and Risks Facing Companies

Today, active discussions are underway at the international level on how regulations and corporate governance affect several evolving areas, including crypto-assets, sustainability disclosures, and artificial intelligence. The underlying questions are genuine: how should companies address these new developments, and what role, if any, should financial market regulators play? If regulatory responses are mandated, how can they be implemented so that they are not outdated ten or fifteen years into the future? For example, the global financial crisis occurred nearly two decades ago and it is questionable whether some reforms taken in its aftermath will remain fit for purpose in the next couple of decades.

> Regulators have an important role in supporting trust and function in the markets.

One approach is to focus on proportionality and financial materiality with respect to disclosures, rather than prescriptive measures. In the United States, public companies have long been subject to a materiality-based framework that already requires them to disclose risks that are important to their financial results and condition.

Despite the significant cooperative efforts being made by regulators, international organizations, and market participants from around the world, it is not clear whether some form of consensus will emerge on these new challenges and risks. However, that outcome should not be viewed as inherently undesirable. In fact, different regulatory structures among jurisdictions can accelerate collective understanding by allowing for comparative study and analysis of alternative choices.

The Path Forward

Individual jurisdictions have taken different approaches on aspects of corporate disclosure and governance, often been based on an assessment of the costs and benefits specific to that jurisdiction's markets, legal traditions, and investor base. It should be unsurprising that separate jurisdictions, applying that kind of analysis to their own circumstances, sometimes reach different conclusions. Global conformity should not be the express outcome of international dialogue. That does not mean, however, that jurisdictions have nothing to learn from one another. Dialogue among regulators is valuable precisely because it exposes each jurisdiction to approaches it might not have considered, and to evidence of what has worked, or not, elsewhere.

What jurisdictions can usefully share instead is a common objective: governance frameworks that align the interests of boards, management, and shareholders, and that preserve the integrity of the information on which their decisions are based. How that objective is implemented—the specific disclosure requirements, the degree of judgment left to boards and shareholders—can and will vary. Rather than pursuing uniformity as an end goal in itself, regulators should consider whether the results are comparable. Two markets can arrive at that alignment by different paths and still give investors information they can meaningfully rely on and compare.