

# Ensuring Common



George Theocharides



Jean-Paul Servais

On the occasion of the Cyprus Securities and Exchange Commission (CySEC) hosting the European Regional Committee Meeting of the International Organisation of Securities Commissions (IOSCO) in Nicosia for the first time, GOLD talks with the regulators' respective Chairmen – George Theocharides and Jean-Paul Servais – on sustainability disclosures, AI and regulatory alignment.

By Adonis Adoni  
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# Regulatory Standards

**Your first term as IOSCO Chairman strongly focused on sustainability disclosures and crypto-asset market regulation. So, what are the top priorities going forward?**

**Jean-Paul Servais:** Our 2025 work programme foresees extensive work on protecting retail investors while continuing efforts in sustainable finance, digital finance and financial stability. This is supported by our 2024 bi-annual risk outlook, which benefited from contributions made by the European Regional Committee, highlighting key challenges in these areas. Protecting retail investors lies at the heart of IOSCO's mission – one of our three core objectives: promoting investor protection, market integrity and mitigating systemic risk. Risks to retail investors are now greater due to technological advancements and the cross-border nature of these risks means that we have to intervene at the international level. So, IOSCO has set out a broad strategy to combat online harm, fraud and mis-selling. On financial stability, IOSCO is strengthening the resilience of non-bank financial intermediation (NBFIs) and, in collaboration with the Financial Stability Board, we are advancing a comprehensive programme to bolster this sector. A key focus is on tackling excessive leverage, particularly "hidden" leverage – risks that are difficult for market participants and regulators to detect.

**How has IOSCO's agenda aligned with CySEC's priorities during your tenure as Chairman?**

**George Theocharides:** Over the past three years, CySEC has strengthened its regulatory approach, focusing on increasing transparency, improving investor protection, modernising regulations for new sectors like digital assets and ensuring greater financial stability and security. These efforts have reinforced Cyprus' reputation as a dynamic financial hub. To improve investor protection, we have introduced more transparent rules for financial products and services, increased monitoring for investment services firms and mandated clearer client communication. Enforcement actions have intensified, with over €7.9 million in imposed fines and measures against anti-money laundering (AML) violations, reporting irregularities and breaches of investor protection rules. The goal has been to create a more secure and transparent financial environment. CySEC has also strengthened its AML framework, ensuring that financial institutions adhere to strict KYC procedures and are better equipped to detect and report suspicious transactions. These align with broader EU initiatives to enhance financial security and combat criminal activity. Recognising the growth of digital asset services, CySEC has also introduced a licensing framework for crypto-related businesses, aligning with the EU's push for clearer crypto.

**The sustainability disclosure landscape is increasingly complex with numerous frameworks vying for attention. How is IOSCO addressing this "alphabet soup"?**

**J-P.S.:** Our goal has been to end the "alphabet soup!" In July 2023, we endorsed ISSB standards, urging jurisdictions to adopt or be guided by them. Since then, 56 jurisdictions – representing 57% of global GDP and over 50% of greenhouse gas emissions – have taken steps to integrate these standards, with more expected to follow. Most are advancing Scope 3 GHG emission disclosures, putting IOSCO on track for 130,000 companies to use ISSB-aligned reporting. In 2025, we will continue supporting implementation across our 130 member jurisdictions.

**Are there any additional challenges that IOSCO is keeping an eye on within sustainability reporting?**

**J-P.S.:** I am convinced that the best approach is a proportionate and gradual one at the global, EU and national level. We must strive for appropriate alignment at these levels and IOSCO is instrumental in this. It is clear to everybody that delivering sustainability disclosures is challenging, especially for smaller companies or those new to reporting. However, one should not forget the costly and complex "alphabet soup" of voluntary disclosure frameworks, making comparisons difficult for investors. We should seek ways to minimise duplicative reporting for global firms as much as possible. IOSCO strongly supports the European Financial Reporting Advisory Group (EFRAG) and the ISSB's efforts to reduce complexity, fragmentation and duplication for companies applying both ISSB Standards and European Sustainability Reporting Standards (ESRS). The interoperability table between ESRS and ISSB significantly lowers the risk of double reporting. In this spirit, sectoral standards must follow the same principles of interoperability, proportionality and inclusivity. Ongoing dialogue between regional and global stakeholders is essential. We should seek, where possible, a high degree of alignment between frameworks. Unlike previous standards, where the EU took the lead first as part of its Green Deal, both standard-setters are now working in parallel on sectoral standards, creating a unique opportunity for alignment from the outset.

**Financial services and markets are increasingly digitised, with artificial intelligence (AI) playing a crucial role, from algorithmic trading to GenAI chatbots. How does IOSCO view the impact of AI and its regulation?**

**J-P.S.:** In 2025, we'll take a fresh look at AI developments and their implications for financial markets, investors and financial stability. Of course, we will continue promoting greater consistency of crypto-asset regulation, supporting jurisdictions in implementing our Crypto and Digital Assets recommendations from November 2023. As financial regulators, we recognise that AI, Generative AI and related technologies can increase the efficiency of capital markets across core activities, including trading, investments and asset allocation. AI has long been used in financial markets to optimise



portfolio management, improve internal research capabilities, analyse complex unstructured data or make investment recommendations. In 2021, we published insights into AI and machine learning applications by market intermediaries and asset managers. But, there are associated risks and IOSCO is taking a fresh look at recent developments and their impact on markets. One concern is that AI-driven high-frequency trading may potentially trigger flash market crashes. IOSCO's goal is to build a shared understanding of AI issues, risks and challenges through the lens of market integrity, financial stability and investor protection; in addition, we seek to assist members in their policy responses. While supporting responsible innovation, we will adopt a risk-based approach to ensure balanced outcomes aligned with our regulatory objectives.

### **How is Cyprus positioning itself on adopting AI in its regulatory and financial systems?**

**G.T.:** In line with the EU's vision for fostering innovation in the financial sector, CySEC has continued to work on creating a regulatory environment that is conducive to fintech growth. This includes transforming our Innovation Hub into a Regulatory Sandbox that supports the development of innovative financial products and services – a major step in fostering responsible innovation in the financial services sector. Our goal is to encourage cutting-edge solutions that keep up with rapid technological advancements, without compromising market integrity and investor protection.

### **In this tech-driven environment, how does CySEC approach the issue of investor education, especially in a more tech-driven financial environment?**

**G.T.:** In recent years, CySEC has enhanced financial literacy, contributing to establishing a national strategy in Cyprus, through social media campaigns, educational material on investment risk and fraud prevention. We've partnered with universities and other educational institutions to incorporate financial literacy into curricula, strengthening the sector's workforce knowhow. Additionally, CySEC has deepened cooperation with international regulators, including ESMA and IOSCO, promoting greater regulatory convergence, information-sharing and cross-border oversight. These efforts reinforce Cyprus' standing, especially in cross-border regulatory cooperation and policy alignment. Overall, CySEC remains committed to creating a more resilient, transparent and compliant financial market in Cyprus for investors and market participants.

### **DORA, the new EU framework to enhance digital resilience, is now on the table. Could you elaborate on how regulators are preparing for DORA's objectives and the responsibilities it will place on regulators?**

**G.T.:** DORA is part of the EU's strategy to safeguard the financial sector's stability in an increasingly digital and interconnected environment, ensuring that institutions can withstand technology distributions, cyberattacks and other operational challenges. It provides a harmonised framework, closing gaps and improving oversight across member states. Regulators will oversee compliance with DORA, ensuring that firms meet the outlined resilience requirements, including the ability to conduct checks on firms' digital infrastructure and their response plans for ICT disruptions. They will also coordinate the response to significant disruptions, ensuring transparency and the efficient sharing of information across jurisdictions. In addition, regulators will monitor firms' relationships with critical third-party providers and will develop and enforce standards for resilience testing, ensuring that financial entities undergo thorough stress tests and address vulnerabilities before they lead to significant disruptions.

### **And what about market participants?**

**G.T.:** Financial institutions must establish and maintain robust ICT systems and processes that can withstand operational disruptions, including creating disaster recovery and business continuity plans. Firms are obliged to report major ICT-related incidents within a strict timeframe, ensuring that regulators have timely and accurate information about potential risks to the financial system. They must also perform due diligence on third-party providers, ensuring they can meet the required resilience standards and undergo regular operational resilience testing, simulating potential disruptions to understand and mitigate their vulnerabilities. Senior management will bear responsibility for ensuring compliance with DORA's resilience standards, fostering a culture of cyber-risk management and operational continuity at the highest levels.

### **As we navigate this rapidly evolving regulatory landscape, with technological risks compounded by geopolitical uncertainties, what do you see as IOSCO's most critical contribution to ensuring stability and investor confidence in the years ahead?**

**J-P.S.:** I am confident that IOSCO's achievements will help shape the future of our financial systems, despite ongoing economic, technological and geopolitical uncertainties. Our focus has been on areas where global solutions are most needed – crypto regulation, sustainability disclosure and financial stability – which require a coordinated global response. As a global standard-setter, IOSCO has always championed international collaboration and our efforts have intensified in recent years. No single jurisdiction can address today's financial challenges alone. IOSCO's members regulate over 95% of global financial markets across 130 jurisdictions, including 117 members from Growth and Emerging Markets, giving IOSCO a unique jurisdictional reach. IOSCO's recommendations also benefit from input across its wide membership thanks to the great work done by its regional committees, such as the European Regional Committee. This explains IOSCO's excellent record in ensuring the timely and fair implementation of its standards and recommendations across the world.

A key initiative promoting supervisory and enforcement cooperation is the IOSCO Multilateral Memorandum of Understanding which strengthens cross-border enforcement and information-sharing. With over 130 jurisdictions signed on as of 2024, its importance is globally recognised.

### **Hosting the IOSCO European Regional Committee's plenary meeting in Nicosia is a significant milestone. What does it signify for Cyprus?**

**G.T.:** It is a great honour to be part of this international family that brings together the world's securities regulators to address key challenges in the financial markets. We were delighted to host over 52 participants from more than 30 countries, including the IOSCO Chairman and Secretary-General. CySEC put itself forward to host this very important meeting in Cyprus because we want to actively contribute to IOSCO's valuable work. The gathering provided a chance to share opinions and concerns on global regulatory issues, such as cryptocurrency regulation, ESG (Environmental, Social and Governance) standards and market integrity. It also allowed for the exchange of innovative solutions to address the challenges posed by technological advancements, such as fintech and artificial intelligence. Strengthening international cooperation is vital for investor confidence and sustainable market development. We are living in a globalised world and finance does not have borders – our cooperation on regulatory initiatives is crucial and through IOSCO, we can move closer to achieving these goals. 