



International Organization of Securities Commissions
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**IOSCO Annual Meeting
Opening ceremony**

**Speech of Michel PRADA
Chairman of the AMF**

**Palais des Congrès
Paris, France**

Wednesday, May 28th, 2008

IOSCO SP004-08

Chers Collègues, Dear Colleagues,

Mesdames, Messieurs, Ladies and Gentlemen,

Permettez-moi de vous souhaiter la bienvenue à Paris pour cette 33^{ème} conférence annuelle de l'OICV.

Allow me to welcome you to Paris for IOSCO's 33rd annual conference.



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Cette rencontre annuelle est pour la communauté des régulateurs un moment particulier de rencontre et de discussion.

This annual meeting is a special moment for the regulatory community, a moment for encounters and discussion.

This is also the 13th conference I have attended personally and last that I shall attend in my capacity as Chairman of the French securities regulator.

It happens that we meet this year at the very moment that the financial markets are struggling with the most severe turmoil we have seen for many years. Indeed, market participants and observers have been asking how this was made possible and who, including the regulators, was responsible for this situation.

These are the reasons why, while I was preparing this brief address to this distinguished audience, it came to my mind that I should not focus on the classical kind of presentation I would have delivered under normal circumstances. I thought I should instead, consider whether:



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- Firstly, IOSCO had properly reacted to the various market events during the last decade or so;
- Secondly, whether, under the present circumstances IOSCO's response has been both timely and appropriate, and,
- Finally, how it should consider its future.

Looking backwards at what IOSCO has achieved since I joined our club in the mid nineties, I believe that we can be quite proud of ourselves.

Bearing in mind the global nature of our organisation, the great diversity of our market systems, of their respective size and levels of sophistication, of our legal and cultural environments, and the status of this non governmental body, it is quite remarkable that IOSCO has become today the unchallenged standard setter in the field of securities regulation, and the leading institution to foster international cooperation between securities regulators and with our fellow organisations.



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Let me briefly remind you of just a few improvements we have made during that period. Following the Asian financial crisis, in 1997, which, by the way, erupted during our annual conference in Chinese Taipei, the starting point was undoubtedly the adoption of our three principles and thirty objectives, in Nairobi, in 1998, which has, since then, provided a robust template and a continuous momentum to our process of standardisation. The recognition of the 39 core IASC standards in Sydney, in the year 2000, was another cornerstone in the field of financial information and has since triggered the successful development of the IFRS. In the aftermath of the internet bubble, of the nine eleven events, and of the scandals of the early millennium, the task force on combating financial fraud opened the path to significant progress with regard to the monitoring of audit standards, the adoption of a code of conduct for rating agencies, the principles for independent financial research. It has also enhanced cooperation in the field of enforcement through the adoption of our multilateral MOU and intensified our patient efforts to convince the so called un-cooperative jurisdictions to change their policies and to join the regulatory community. Obviously, it would take me too long to list all the standards, recommendations, and reports we have issued with regard to financial



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information, market structure, conduct of business rules, asset management and enforcement. Here in Europe, we really consider that IOSCO's work has been of utmost importance for the very conception of our financial services action plan to build an integrated EU financial market.

Today, we have to cope with the most severe turmoil we have seen for many years. We must obviously recognise that we could not prevent it, neither did we anticipate it when we met collectively, a year ago. To be fair to regulators, I should, however, mention that some of them had issued warnings, at the national level or at the Financial Stability Forum level: for example in 2004 there were not only very relevant public speeches by two Vice-governors of the Fed, but also the Joint Forum's report to the FSF on credit risk transfer. I cannot resist mentioning, at this juncture, the AMF's studies on the rating of structured products, which were started in 2005 and updated in both 2006 and early 2007. Finally, the FSF itself had identified some of the risks while, nonetheless, underlying the resilience of the financial system.



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At this juncture, it is probably fair to recognise that securities regulators tend to react to market events rather than anticipate them and act accordingly. Furthermore, a number of them believe that it should not be otherwise and that trying to discipline the market in advance might be both hazardous and detrimental to its dynamism and efficiency.

With regard to IOSCO's reaction to the present turmoil, I do believe nonetheless that we did pretty well considering the circumstances. The task force on credit rating agencies speedily resumed its work and has delivered well founded complements to its 2004 code of conduct. The technical committee has set up a "subprime" task force which has actively participated in the work of the Financial Stability Forum and made its recommendations public on the occasion of our annual conference. In both cases, we extensively consulted representatives of the industry in order to enhance the quality of our analysis and the consistency of our conclusions, in our search for a more robust and transparent "originate to distribute" model.



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Now, what about our future? As I have just handed over the chairmanship of the technical committee to Chris Cox, Chairman of the US SEC, who will lead our activities together with our new Vice-Chairman, Hans Hoogervorst, Chairman of the Dutch AFM, I have no doubt that, as we have a number of issues on our agenda, this future will be both brilliant and busy.

May I, nonetheless, express two wishes, which, by the way, encompass, beyond the TC, the whole organisation?

The first one is related to IOSCO itself. While we have recently established a structured dialogue with the industry, we are now in a better position to grasp the trends and the risks which might hinder markets' efficiency and integrity. I therefore believe we should be more ambitious in our analysis of these expected risks and with our capacity to anticipate their consequences and hopefully minimise possible disruptions. I know that this is both a difficult task and also a controversial approach to regulation. However, I do believe that, along the way, we can find a better and more useful balance between reactivity and proactivity. This is obviously what governments and public opinion expect from us.



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My second wish concerns the enhancement of the efficiency of our organisation and contribution to a stronger global regulatory framework.

Recent events have shown that, today, financial markets are truly global. After a decade of fabulous development in emerging markets, never ending modernisation, reorganisation of market infrastructures and product innovation, rapid growth of cross-border activities and flow of capital, regulators now need to cope with this new reality and to speed up their process of standardisation, mutual recognition and operational cooperation in the following three areas.

Firstly, under Jane Diplock's leadership, IOSCO has embarked on an ambitious initiative with the objective of persuading all members of the Organisation to become signatories of our MMOU by 2010. I sincerely hope that we will be able to achieve this objective within the next two years.



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A second objective for us should be to put an end to the situation where a few jurisdictions, while they play a significant role in cross-border activities, either cannot, or do not want to, play according to the rules and are not members of the club. This is not sustainable in the long term, and, after we have made our best efforts, through technical assistance and peer pressure, to bring them within the organisation, we should consider new initiatives to resolve the remaining difficulties.

Thirdly, we should make further progress to enhance the consistency of the architecture of the global supervisory system. The establishment of the Financial Stability Forum, in 1999, was a major step forward and has built a bridge between prudential and market regulation, as well as between macro and micro supervision. Personally speaking, I have been very impressed by the quality of the dialogue which took place within the task force on the market turmoil set up by the FSF and by the convergence of the conclusions which were presented to the G7 ministers in late April. I believe that we can build on this progress and that we can do even better in the near future:



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- by improving the practical implementation of our standards, through our own internal discipline and with the support of the IMF and of the World Bank.
- by improving our cooperation with our fellow organisations, the Basle Committee and the IAIS.
- by providing more legitimacy to the bodies which play a major role in the proper functioning of markets; as examples, I would refer to the review of the governance of the IASB, and also to the proposals which have recently been made with regard to a possible international organisation of the rating agencies and the monitoring of their activities by the regulators, along the model which has been successfully set up for audit standards and quality.
- Finally, as I mentioned before, the remarkable development of some significant emerging markets, which are today quite comparable to the most established ones, will mean that we will have to update our operational arrangements in a more inclusive manner, for example in the same way we did in the case of the



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Technical Committee by inviting the Chairs of our Regional Committees to attend its meetings.

Madame le Ministre, Ladies and Gentlemen, I don't want to take up too much of your time, as we are expecting fruitful discussions between the distinguished panellists who have kindly accepted to participate in this IOSCO Conference.

I should like to conclude by expressing my personal gratitude to the AMF staff who have worked very hard for several months to ensure that our conference a successful event. I also wish to extend my thanks to the IOSCO secretariat and to Greg Tanzer, our new Secretary General. I also thank our sponsors for their support which made it possible to organise the social events of this week. Finally, I should like to welcome you once again and to thank you for your presence. It is an honour for me, for my colleagues of the AMF, and for the Paris marketplace to have you here and I wish you all a fruitful and enjoyable conference and a pleasant stay in Paris.



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Thank you.