



International Organization of Securities Commissions
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Organizaç o Internacional das Comiss es de Valores
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Opening Ceremony Address

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IOSCO Technical Committee

and

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U. S. Securities & Exchange Commission

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Dear Colleagues, ladies and gentlemen, allow me to join in welcoming you to Basel for the IOSCO Technical Committee Conference. It is a pleasure and an honor to be with you all.

I would first like to express my warmest thanks to our hosts, Chairman Eugen Haltiner and Vice-Chairman Daniel Zuberb hler of the Swiss Financial Market Supervisory Authority, for their excellent organization of our conference as well as their generous hospitality.

¹ Commissioner, U.S. Securities and Exchange Commission. The U.S. Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publications or statements by any of its employees. The views expressed herein are those of the author and do not necessarily reflect the views of the Commission, fellow Commissioners or the staff of the Commission.



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It has only been 4 months since we last gathered at our Annual Conference in Tel Aviv to discuss the important work IOSCO has undertaken in response to the financial crises and yet much progress has been made in that short time. This is a testament to the extraordinary efforts of IOSCO's members -- who also have important duties at home in addition to their ongoing contributions to the important international work at hand.

It is also a recognition of the critical nature of IOSCO's work if we are to be effective in our missions as market regulators, and we are to minimize the likelihood and potential impact of further crises or market shocks to our global financial system.

In a speech delivered this past August², Federal Reserve Board Chairman Ben Bernanke, widely acknowledged as a leading authority on the causes and lessons of the Great Depression, called the global financial crisis of the past year the most "severe" since that period in the 1930's.

According to Chairman Bernanke, one of the clear lessons of the crisis has been that "financial disruptions do not respect borders."

He said that the "strong and unprecedented international policy response proved broadly effective. Critically, it averted the imminent collapse of the global financial system", an outcome that seemed all too possible to the finance ministers and central bankers that gathered a year ago in Washington. Importantly, he noted that "as severe as the economic impact has been, however, the outcome could have been decidedly worse. "

So we are here today, this week, as part of that ongoing effort, to continue to address the necessary regulatory changes that need to be undertaken, collectively, to ensure that we develop

² Chairman Ben S. Bernanke, [Reflections on a Year of Crisis](#), August 21, 2009
At the Federal Reserve Bank of Kansas City's Annual Economic Symposium, Jackson Hole, Wyoming.



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a more effective global system of oversight and regulation that fosters and supports resilient global capital markets and greater financial stability.

In furtherance of these goals, and consistent with the call by the G20 leaders for a coordinated global response in light of the crisis, IOSCO and its members have been actively engaged in the work of identifying and addressing the weaknesses in the financial regulatory system on a variety of fronts.

In particular, IOSCO has focused on improving the regulation of credit rating agencies, hedge funds, securitization and credit default swaps markets.

Of course, none of these issues can be adequately addressed without significant cross-border coordination and cooperation.

Accordingly, this past June, IOSCO launched a new Supervisory Cooperation Task Force. The Task Force is designed to promote supervisory cooperation and develop principles for cooperation in the supervision and oversight of market participants whose operations cross international borders.

This work will prove particularly relevant to IOSCO's ongoing work related to hedge funds, credit rating agencies, OTC derivatives markets and systemically important entities and actors.

Even, at the earliest stages of the crisis – long before anyone could have forecast the severity of the financial storm that lay ahead – the IOSCO Technical Committee began to assess the role that credit rating agencies played in the lead up to the financial crises.



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The result of this effort was identification and adoption of important changes to IOSCO's Code of Conduct Fundamentals for Credit Rating Agencies and subsequent assessment of the degree to which rating agencies adopted the amended code of conduct.

This important work by IOSCO has been recognized by G20 leaders and the Financial Stability Board as setting the international benchmark for credit rating agency regulation as they now continue to look to IOSCO's ongoing leadership in developing and facilitating a global regulatory framework for the regulation and oversight of credit rating agencies.

Pursuant to this, and to address the potential negative market impacts of differing national approaches to CRA regulation and supervision, in February, the Technical Committee decided to transform its CRA Task Force into a permanent Standing Committee.

This new Standing Committee will regularly discuss, evaluate and consider regulatory and policy initiatives related to rating agency activities and oversight.

In addition, the Standing Committee has undertaken to actively seek cross-border consensus on these issues, conduct a regular dialogue between securities regulators and the CRA industry regarding emerging issues and continue to establish international standards and best practices for credit rating agencies.

Another important area that IOSCO has been actively engaged in is the establishment of appropriate hedge fund regulation.

In June of this year, IOSCO took a significant step in promoting the oversight of hedge funds by agreeing to a set of high-level principles for hedge fund regulation.



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Agreement on these principles was a major step towards achieving a comprehensive and coherent international response to the potential risks posed by hedge funds. To further facilitate global coordination on hedge fund regulation, IOSCO plans to monitor the progress in domestic regulation of the hedge fund sector and review how they align with the IOSCO standards.

IOSCO will also conduct further work to define what types of information should be provided by hedge funds and their counterparties so as to provide regulators the ability to assess the systemic importance of individual actors and identify possible financial stability risks. In addition, IOSCO continues to review and evaluate hedge fund best practice principles promulgated by key industry associations.

Through the crisis, much consideration has been given to the need to ensure appropriate regulation and oversight of previously unregulated markets and products that posed risks to the system, but were beyond regulators full field of vision or reach.

The work of the Task Force on Unregulated Markets and Products has targeted its early work on two key areas: securitization and CDS markets.

In September, the IOSCO Technical Committee approved and published a report by the Task Force containing recommendations to assist financial market regulators in introducing greater transparency and oversight in order to improve the resiliency, quality and integrity of these markets.

This important work is ongoing. IOSCO expects the Task Force to continue to look at the implementation of these recommendations as well as consider further focus on other OTC derivatives markets and monitoring of securitization market developments.



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Last month, a key initiative endorsed by the G-20 Leaders was the Implementation Standards of the FSB Principles for Sound Compensation Practices. I would note that this work was undertaken under the leadership of Philipp Hildebrand, Vice Chair of the Governing Board of the Swiss National Bank, who will be addressing you later today.

Intended to address concerns over how compensation structures drove excessive short-term risk taking, the principles and implementation standards are designed to address these adverse risk incentives in the interest of mitigating systemic risk and promoting financial stability.

As part of its ongoing work on enhancing its Principles for Periodic Disclosure by Listed Entities, IOSCO is looking at how disclosure around the compensation decision-making process and important design characteristics of the compensation system can be reflected in the Principles.

These are just a few of the many important workstreams undertaken by IOSCO. Indeed, the Technical Committee is also pursuing vital work through its other task forces and standing committees, such as commodity futures markets, short selling, issuer transparency and investor due diligence, transparency, firm risk management, valuation and accounting and many others.

In conclusion, IOSCO continues to work diligently with its members and in coordination with international standard setters and other international bodies to address weaknesses in the global financial regulatory system that were revealed over the past year.

IOSCO has shown tremendous leadership during this tumultuous period, and I expect that it will continue its important role throughout the coming months as policymakers attempt to develop and enact reforms aimed at reducing the likelihood of a future crisis.



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I am honored to be associated with this organization, and look forward to the ongoing and critical work with all of my distinguished colleagues from around the world.

Thank you again to our gracious hosts at FINMA.