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Plenary 6

Transparency in the Regulatory Process

*20. Transparency in the Regulatory Process,
Speech by Mr. Mumba S. Kapumpa*

Secretary and Chief Executive of the Securities and Exchange Commission, Zambia

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PANEL 6

TRANSPARENCY IN THE REGULATION PROCESS

Mumba S Kapumpa
Secretary and Chief Executive
Securities and Exchange Commission, Zambia



OVERVIEW

- + **INTRODUCTION**
- + **I PRINCIPLES OF TRANSPARENCY**
- + **II EFFECT OF INCREASED TRANSPARENCY ON ECONOMY AND FINANCIAL MARKET**
- + **III IMPORTANT AREAS FOR TRANSPARENCY**
- + **IV FINANCIAL MARKET SUPPORT FOR TRANSPARENCY**
- + **V PROBLEMS OF DIFFERENT REGIONS**
- + **VI SADC REGIONAL EFFORT**
- + **VII CURRENT TRANSPARENCY STATUS**
- + **VIII CONCLUSION**



INTRODUCTION

- ✦ **What is transparency ?**
 - **limpidity, clearness, openness, to see something with the light showing through it**
- ✦ **What is transparency in securities markets regulatory process?**
 - **clear and understandable rules and regulations**
 - **acceptance of the regulatory process through consultation with market players**



I. PRINCIPLES ON WHICH TRANSPARENCY IS FOUNDED

- ✦ Regulator should be accessible to all players**
- ✦ Regulations should be made visible for all and publicly available all the time**
- ✦ Rules should be clear and understandable**
- ✦ Rules should be enforced fairly openly and should apply to all players in a non-discriminatory manner**



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II. EFFECT OF INCREASED TRANSPARENCY ON ECONOMY AND FINANCIAL MARKET

- ✦ Integrity of market**
- ✦ Protection of market**
- ✦ Confidence in financial markets**
- ✦ Thriving economy**
- ✦ Greater prosperity for investors**
- ✦ Enhanced tax collection sources for social services**



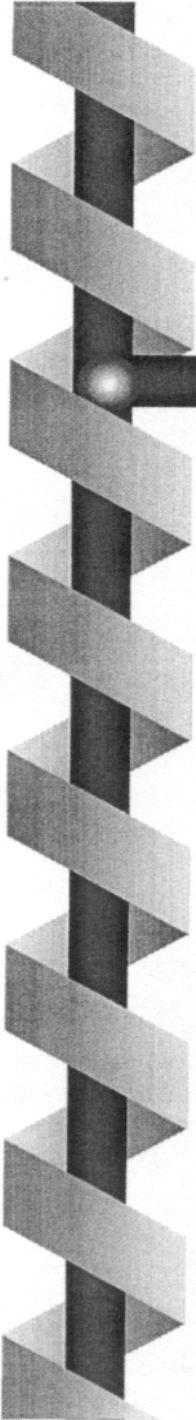
III. MOST IMPORTANT AREAS TO MAKE TRANSPARENT

- ✦ **Sound consumer based regulations**
- ✦ **Market sensitive regulations**
- ✦ **Sound corporate governance principles**
- ✦ **Clear accountability**
- ✦ **Need for cooperation among regulators of financial services:**
 - **transparency spread across financial market landscape not just capital markets with aim towards single regulatory agencies for financial markets.**



IV. FINANCIAL MARKETS SUPPORT FOR INCREASED TRANSPARENCY

- ✦ **Transparency provide answer to improper inequitable or unfair regulatory practices. To achieve this:**
 - **access to regulator by market players**
 - **market rules clear and objectively stated**
 - **dedicated complaint resolution procedures**
 - **investor education**
 - **especially among small individual investors**
 - **translate into local language (7 in Zambia)**
 - **encourage cooperation between regulators of financial services**



V. PROBLEMS OF DIFFERENT REGIONS OF THE WORLD

- ✦ **Different levels of development of financial systems legislative and infrastructure**
- ✦ **Different national Payment and Clearing Systems**
- ✦ **Different Trading Systems**
- ✦ **Lack of resources to operate a Trading System**
- ✦ **Lack of cooperation by national systems to pool resources**



VI. SADC REGIONAL EFFORT

- ✦ **SADC: trade and policy coordination bloc**
- ✦ **Population 184 million**
- ✦ **14 countries: Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe**
- ✦ **CISNA (Committee for Insurance, Securities and Non-banking Authorities), 1998**



VI. SADC REGIONAL EFFORT CONT'D...

CISNA Objectives: address 3 challenges:

- ✦ **Market Development:**
 - **establish sound regulatory frameworks**
- ✦ **Market Integration:**
 - **harmonised regional market in capital markets investment services, insurance, retirement funds**
- ✦ **Regulatory Arbitrage**
 - **free flow of capital under regional regulatory framework**



VI. SADC REGIONAL EFFORT CONT'D...

- ✦ **CISNA encourages members to complete IOSCO Survey Objectives and Principles of Securities Regulation**
- ✦ **30 Core Principles relating to:**
 - **protection of investors**
 - **ensure markets are fair, efficient, transparent**
 - **reduction of systemic risk**
- 🚲 **Pre-emerging/Emerging Market Regulators:**
 - **Transparency and Developing Market is priority**
 - **Develop then Regulate: (Cannot regulate non-existent market!)**



VII. CURRENT STATUS IN IMPLEMENTING TRANSPARENT REGULATORY PROCESS

- ✦ **Very advanced systems on one hand, and fragmented small financial markets on other**
- ✦ **Need to address challenges of Information Age, e-commerce, etc**
 - **protect investors**
 - **ensure markets are fair, efficient and transparent**
 - **reduce systemic risk**



VIII. CONCLUSION

✦ The Challenges

- **developing vs regulating market**
- **gaps in legislation**
- **rewrite/revise/change legislation**
- **cross border activities**
- **largely unharmonised of legislation and regulation**



VIII. CONCLUSION

CONTID...

- ✦ **The Challenges**
 - **lack of co-operation in accounting and financial disclosure requirements for regulatory ends**
 - **poor education, training and development of regulator's staff**
 - **poor investor education**
 - **lack of coordinated research especially in emerging markets**
 - **poor establishment of markets**



VIII. CONCLUSION

CONT'D...

+ What next?

- **all financial markets, without exception, should strive to enhance securities, mutual funds and insurance laws comply with international standards**
- **close gaps in legislation**
- **rewrite/revise/change legislation**
- **facilitate cross border activities**
- **harmonisation of legislation and regulation**



VIII. CONCLUSION

CONT'D...

What next?

- **cooperation in accounting and financial disclosure requirements for regulatory ends**
- **enhance education, training and development of regulator's staff**
- **enhance investor education**
- **enhance research**
- **establishment of markets**



THANK YOU

FOR YOUR ATTENTION