



*Public Documents
of the XXVIth Annual Conference of
the International Organization of
Securities Commissions
(IOSCO)*

23-29 June, 2001, Stockholm, Sweden

Opening Ceremony

*3. Remarks for Opening Ceremonies,
by Mr. David A. Brown
Chairman of the IOSCO Technical Committee
and
Chairman of the Ontario Securities Commission*

27 June 2001

Opening Ceremony
Mr. David. A. Brown

Thank you, Mr. Chairman. I welcome the opportunity to outline how IOSCO's Technical Committee is responding to the challenges facing the global financial markets.

In today's global financial services industry, the market knows no borders - but regulators are coming up against them all the time. A number of factors are contributing to this practical transparency of geographic borders, including:

- . the growing number of financial institutions operating on a global basis;
- . the breakdown of barriers between securities, banking and insurance industries; and
- . the spread of new communication technologies.

Where does IOSCO fit in this world? The Technical Committee has reviewed its processes to ensure it is addressing the most important issues facing securities regulators. At every Technical Committee meeting, we review emerging issues and make a determination as to whether it's an issue that needs to be addressed and, if so, what resources should be devoted to it. We are also focused on working much more closely with regulators in other financial sectors.

IOSCO has long recognized the importance of working with other groups on issues of common concern. But the increasing convergence of the financial services industry has reinforced the value of this dialogue and significantly increased the number of joint projects we are engaged in with other organizations.

Let me give you some examples. IOSCO has been a key participant with banking and insurance regulators in the Joint Forum since its inception in 1996. The Joint Forum's original mandate was to address issues concerned with financial conglomerates.

Due to the increasing pace of convergence, its mandate has since expanded to include risk management and capital, corporate governance and the assessment of core principles across the securities, insurance and banking industries.

Opening Ceremony
Mr. David. A. Brown

The creation of the Financial Stability Forum in 1999 has been another step towards greater cooperation among regulators. Dr. Mehta and I, as Chairs of the Emerging Markets and Technical Committees, represent IOSCO at the Financial Stability Forum. The Forum was established by the G-7 Finance Ministers to promote co-ordination among national and international authorities responsible for financial stability. Its goal is to assess vulnerabilities affecting the global financial system and to oversee actions needed to address them.

One way in which the Forum is seeking to enhance the stability of the international financial system is through supporting the development and implementation of high standards in all domestic markets. IOSCO has a key role to play in this task.

We would all agree that one of IOSCO's most important initiatives of recent years is the work on the Objectives and Principles of Securities Regulation -particularly the efforts IOSCO members have made to promote wide implementation of these Principles. The banking and insurance supervisors also have developed core standards for supervision in their respective sectors. While all three sectors work on encouraging full implementation, the IMF and World Bank have put these core principles into practical use.

As many of you know, all three sets of principles are being used by the IMF and World Bank in their Financial Sector Stability Assessments -both in developed markets (such as Canada) and emerging markets. These core principles have become benchmarks against which our systems are being measured.

Globalization and the integration of capital markets enable providers of capital to move almost seamlessly among markets. This means that jurisdictions have to compete for capital. There's an old saying: Capital flows where it is most welcome.

Countries that are seen to have high standards of regulation and supervision will remain

Opening Ceremony
Mr. David. A. Brown

competitive. Countries that fail to meet those standards will pay a price -a price the market will impose.

Clearly, the more we work with other regulators, the greater the opportunity IOSCO has to promote the timely development of efficient regulations to protect investors, mitigate risk and foster efficiency in capital markets.

Your Technical Committee has responded to these challenges. We are endeavouring to address the issues of most pressing concern -to marshal the collective resources of IOSCO; to assist securities regulators in all markets; to meet the challenges, which face them.

One such challenge is posed by rapidly evolving technologies. In 1998 IOSCO released a seminal report on securities activity on the Internet. But in three short years, Internet use has grown exponentially. Yesterday, the President's Committee approved for publication our second report on the implications of this medium for securities markets and regulators. I have no doubt that this report will prove to be an invaluable resource, not only for securities regulators but for regulators and supervisors of all financial sectors.

Standing Committees and Project Teams sponsored by the Technical Committee are addressing several other issues of critical importance. They are too numerous to mention in detail, but they include:

- . reviewing proposed changes in the accounting for financial instruments;
- . updating principles for information-sharing among regulators;
- . the maintenance of and accessibility to records of electronic traffic through Internet services providers;
- . standards for securities analysts;
- . continuous disclosure obligations of public companies, including issues relating to selective disclosure;
- . issues relating to the operations of collective investment schemes; the co-ordination of cross-border trading halts;

Opening Ceremony
Mr. David. A. Brown

I could go on

There is much work to be done. In an era when globalization creates an assumption that all markets are equally efficient and well-regulated, we cannot simply hope that ideal will materialize.

In an era when market information is increasingly transmitted in the virtual world, regulators cannot lock themselves into the physical one.

In an era such as ours, only a proactive approach can fulfill the mandate of regulation. We must work among ourselves - and with regulators from other sectors - to create conditions whereby markets can realize their potential and investors will have a fair opportunity to achieve their goals.

Thank you.