



OICV-IOSCO

Amman - Jordan, 17-20 May 2004

Opening Ceremony

Mr. Andrew Sheng

Chairman of the IOSCO Technical Committee
Chairman of the Hong Kong Securities and Futures
Commission

19 May 2004

**29th Annual Conference of
The International Organization of
Securities Commission**

(IOSCO)

**19th May 2004
Amman, Jordan,**

Opening Ceremony

Speech by Andrew Sheng

**Chairman of the IOSCO Technical Committee
And
Chairman of the Hong Kong Securities and Futures Commission**

Chairman Bassam Saket, Jordan Securities Commission
Professor Fernando Teixeira dos Santos, Chairman of the
Executive Committee,
Chairman Dogan Cansizlar, Emerging Markets Committee
Secretary General Philippe Richard,
Distinguished Guests
Ladies and Gentlemen:

Assalam Malaikum

I am extremely honoured to address this 29th Annual Conference of IOSCO in this ancient, historic and cultural city of Amman. It is fitting that we thank Chairman Bassam Saket and the Jordan Securities Commission for welcoming us so warmly and hospitably in this lovely city of seven hills, legendary for the biblical dance of seven veils, amidst this land of the Mountain of the Seven Pillars of Wisdom.

It is not my place this morning to make a long speech in this important opening ceremony, so I shall only make seven brief points.

First, acknowledgement. I must thank my predecessor, Mr David Knott, for his wonderful contribution to the work of the Technical Committee. Of course, much of what has been achieved in the last year would not have been possible without the hard work and contributions of my colleagues in the Technical Committee and the Standing Committees. But we must also recognize that the achievements of the last four years would not have been possible without the leadership and stewardship of Professor Fernando Teixeira dos Santos at the helm of the Executive Committee, the advice and support of Mr Dogan Cansizlar and the Emerging Market Committee, the Secretary-General Philippe Richard and the Secretariat.

Second, standards. This year is the 21st anniversary of the founding of IOSCO, when it has come to maturity as the undisputed authority and standard setter for regulation of securities markets. Since 1998, when we adopted the

comprehensive set of IOSCO Objectives and Principles of Securities Regulation, our membership have undertaken the greatest review and revamp of securities and corporate laws since the 1930s. We have helped shape accounting and auditing standards, influenced corporate governance standards and thoroughly reviewed our regulatory scope and processes covering the span of securities market intermediaries from brokers to credit rating agencies. In short, we have nearly completely re-written the book of standards on securities regulation.

Third, complexity. The issues before us are complex, with every day of financial innovation and market development revealing issues that we have not addressed before. Our work today cuts across many disciplines and jurisdictions, from corporate governance, banking, and insurance to greater attention to anti-money laundering and anti-crime issues. We are conducting more and more research into these new fields, from demutualization to transparency of bond markets, exploring the policy implications of better standards and regulations.

Fourth, enforcement. Whilst the phase of establishing standards has almost reached maturity, the monumental work of enforcement and implementation of these standards have only just begun. Never in recent history has investor expectations of our ability to protect them been so high. And never in recent history of global markets have there been so many headline cases of corporate scandals.

The demand for more regulation to accord investors better protection has therefore been strong. We need to supply the right response and also be conscious of getting the right balance between market facilitation and investor protection. The forthcoming report of our recent Chairs Task Force to strengthen capital markets against financial fraud, ably chaired by Roel Campos and Lamberto Cardia, will be awaited with much anticipation.

Fifth, cooperation. Capital markets are global but their operations are essentially local. International rules and standards now exist. But the effectiveness of regulation is only as strong as

its weakest link. Companies operate today on a global scale, arbitraging information, taxation and also regulation. But regulators essentially still operate within their domestic market and their reach stops at the border. We are not the only standard setters and regulators involved in tackling corporate and market misconduct. We need to work harder at working together, quickly and effectively to detect, deter and sanction misconduct in cross-border markets.

Sixth, incentives. Clearly, fraud in capital markets occurs because those who perpetrate fraud think that their rewards appear to outweigh the perceived probabilities of apprehension, conviction and possible sanctions. Quick and effective risk-based enforcement action aimed at the most egregious areas would focus proper attention to the high price of breaches of the law.

Seventh, implementation. Standards and the enforcement action are only effective if there are sufficient resources and determination to implement these standards. The work of the Implementation Committee under the able leadership of Andrea Corcoran is commendable in helping members assess the extent to which they have implemented the IOSCO Objectives and Principles of Securities Regulation. The training programmes also help, but we have only just begun. We must be realistic that reform work in our markets to implement IOSCO principles and standards are hugely resource intensive. We must be realistic on how to work together with the international financial institutions, such as the World Bank and IMF, on getting the most effective resources towards raising market quality.

Like the dancer of the seven veils, I have only questions and no complete answers. All I know is that global markets mean that we have to work together if we are to deliver what we promised in the IOSCO objectives: efficient, fair and transparent markets.

I also know that the members of the Technical Committee are fully committed to addressing these issues, and to raise the profile of the work of IOSCO. Together with this Annual Conference, there will be another Conference in New York in

October to explain to the world what we are doing to help create better markets.

We pledge to work closely with the Executive Committee and the Emerging Markets Committee to begin to structurally address some of the challenges facing IOSCO, amidst rising expectations, growing complexity and limited resources.

This Annual Conference has much work to do, but it is a gathering such as this, in this lovely environment provided by our Jordanian hosts, where we can get to know each other, trust each other and work with each other to fulfill our goals as a leading regulatory organization and standard setter on the world financial stage.

It is befitting that I conclude with a reminder that this Annual Conference is taking place at the historical confluence of trade between three continents. I hope my Muslim friends do not mind if I quote the Prophet on the business of trade: I quote, "the most worthy of earnings are those of the merchant, who, if they are spoken to, do not lie, if they are trusted, do not betray, if they promise, do not fail, if they buy, do not condemn, if they sell, do not extol, if they owe, do not delay and if they are owed, do not press."

These are wise words even for the business of IOSCO.

Thank you.