OICV-IOSCO

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Opening Ceremony

Mr. M. Damodaran

Chairman of the IOSCO Emerging Markets Committee
Chairman of the Securities and Exchange Board of India

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OPENING CEREMONY OF IOSCO 2007
TEXT OF THE SPEECH OF
MR. M. DAMODARAN, CHAIRMAN, SEBI & CHAIR, EMC

The Hon'ble Finance Minister Mr. P. Chidambaram, the Chair of the Executive Committee, Ms. Jane Diplock, Chair of the Technical Committee, Mr. Michel Prada, Secretary General IOSCO, Mr. Philippe Richard, IOSCO colleagues, Distinguished Guests, Ladies and Gentlemen:

I have great pleasure in extending to all of you a very warm and hearty welcome to the 32nd Annual Conference of the International Organisation of Securities Commissions (IOSCO). The Conference is being hosted in India for the first time and Securities and Exchange Board of India deems it a great privilege to host the IOSCO annual conference in India's financial capital of Mumbai.

It was in 1974 that the Inter American Regional Association, IOSCOs ancestor came into being. 9 years later, in April 1983 11 Securities regulatory agencies got together to form the International Organisation of Securities Commissions as an international body of securities regulators. Today IOSCO has more than 180 members and there is perhaps no significant securities market that is regulated by a non-member of the IOSCO family.

The history of statutory regulation of the Indian securities market is only 15 years old. It was in 1992, four years after it was set up as a non-statutory body, that the Securities and Exchange Board of India became a statutory body mandated by the Indian Parliament with the responsibility of protection of the interests of investors, development of the markets as well as regulation of the markets. Over these 15 years the Indian Securities market has witnessed exponential growth in terms of the volumes as well as in terms of market capitalisation and, we are told, in regulatory standards and practices. India today ranks fairly high among the major markets of the world. With the Indian Economy growing at a very rapid pace and the market moving in sync, regulatory challenges have undergone major changes in scope and content.

While the statutory market regulator is in its teens, the origins of stock exchanges in India go back to more than 150 years ago when 22 traders conducted trading in securities under a tree. The change in the Indian Securities market over the years has been truly phenomenal. India's stock exchanges have long ago abandoned the open outcry system and all trading for the last few years has been screen based. The National Stock Exchange which is India's largest stock exchange and compares very well with exchanges the world over in terms of number of transactions was set up as a demutualised exchange, clearly anticipating the direction in which most exchanges the world over have moved since then. The corporatisation and demutualisation of 22 stock exchanges is presently underway. Dematerialisation of securities has gained significant coverage with 2 depositories presently in existence. The more than a hundred year old practice of Badla was discontinued at the turn of this century and a modern derivatives market has been in place for the last 7 years. Even within this period the National Stock Exchange has seen for a long time the highest number of transactions in single stock futures all over the world. With continuing attention being given to ensuring more products and more players in the derivatives market, it is expected that this segment will witness phenomenal growth in the days ahead. The Asset Management business has also seen significant change and improvement in the last 2 decades. In the early sixties there was only 1 investment institution specifically tasked to ensure that small savings went into worthwhile productive endeavour. The Asset Management industry was opened up to the private sector in early 1990s and today there are 40 Asset Management Companies including some of the most respected names in the business from all over the world.

For many years India remained a closed economy leading to foreigners interested in investing in India having to do so through special funds launched overseas to facilitate such investment. Today Foreign Institutional Investors (FIIs) who comply with requirements of eligibility relating to registration are able to invest directly in the Indian markets. The number of such registered Foreign Institutional Investors is nearly 992 and they include investors from 39 countries. Further such registered Foreign Institutional Investors are enabled to get sub accounts registered in the names of their clients and such registered sub-accounts are in excess of 3000. The total investment of registered Foreign Institutional Investors in India is 52 billion US $ at cost price and 119 billion US $ at market price. The growth of the Indian Economy has also led to a situation in which those who cannot directly access the Indian Market have sought to do so by investing in off-shore derivative instruments issued by registered FIIs. There is also a continuing demand to open up the Indian markets to hedge funds which are present in the major markets of the world.

The growth of the Indian Economy in recent times has led to increased discussion and debate on unleashing the tremendous and yet hitherto untapped potential of the country. As a major step in this direction the Hon'ble Finance Minister who is present in our midst today initiated the debate, based on a recent report, on making Mumbai a global financial centre by leveraging its several inherent advantages and working on the removal of all obstacles thereto. It is our expectation that in the years ahead the clearly recognizable potential of Mumbai will be significantly exploited. In a conference of Securities Markets regulators it is useful to focus on the dimensions of the regulatory challenge. There are nearly 10,000 registered Brokers of whom less than half are corporatised. In addition there are close to 28,000 sub-brokers. The regulatory responsibility of these entities rests significantly with SEBI at present in the absence of an industry level SRO. Yet another challenge that is being presently addressed is the long over due development of the corporate bond market.

IOSCO as all of you know, functions through its committees namely the Executive Committee, the Technical Committee, the Emerging markets Committee as well as the 4 regional committees. These committees have held the meetings in the last 2 days and have addressed issues that are both important and topical. The various resolutions that have emanated from the discussions of the last 2 days have been endorsed by the President's Committee this morning. The Hon'ble Finance Minister has a little while ago inaugurated the Public part of the 4 day Annual Conference. The 4 Public Panels will address issues that are engaging the attention of markets and regulators the world over. It is not a matter of co-incidence but an indication of India's increasing significance that the 4 subjects which will be addressed during the Panel discussions are currently receiving the active attention of the Government of India, the

Securities and Exchange Board of India and professional organisations such as the Institute of Chartered Accountants of India. We look forward to the collective wisdom that will emerge from the discussions on hedge funds in view of the increasing the influence of the hedge funds in the securities market. Similarly the phenomenon of stock exchanges becoming transnational and the resultant regulatory challenges also occupy considerable mindspace. The SMEs are aplenty in India and as in other emerging markets, their access to capital is an aspect that needs to be exhaustively debated. Another issue engaging world-wide attention in these times is the convergence of accounting standards with the IFRS and the recommendations of the accounting panel would also be keenly awaited.

I am singularly privileged to wear two hats at this conference. In addition to being the Chairman of the host regulator, I am also privileged to chair the Emerging Markets Committee with its 79 member jurisdictions. The working groups of the Emerging Markets Committee function in close coordination with the standing committees of the Technical Committee. The Emerging Markets Committee has, over the years, been able to respond significantly to the twin challenges of development of domestic markets as well as dealing with the increased regulatory challenges. Out of the increasing no. of signatories of the IOSCO Multilateral Memorandum Of Understanding, 10 are from the Emerging Markets and atleast one more has joined under the terms of Annexure 'B' of the MOU which is an expression of its commitment to becoming a full signatory. Member jurisdictions of the Emerging Markets Committee are taking increasing advantage of the IOSCO MOU assistance programme which was launched shortly after the endorsement of the IOSCO MOU by the President's Committee in May 2002. There is also increasing interest and participation in the programmes organized to facilitate assessments including the initiative of the Implementation Task Force to conduct the assessors workshop.

The increasing integration of the global economy and the consequent increased integration of markets has led more and more jurisdictions to seek the assistance of IOSCO to raise regulatory standards. There is also considerable importance being attached to moving in the direction of the implementation of 30 IOSCO principles of Securities markets regulation.

Distinguished Guests, the various committees of IOSCO as well as the standing committees at the working groups have addressed specific issues that they are mandated to address. This collective endeavour is an expression of the ability and willingness of securities markets regulators the world over to work together on making the securities markets all over the world a safer place for investors.

I am confident that this conference represents one more significant step in that direction.

Thank you.

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