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## **IOSCO Annual Meeting**

### **Opening ceremony address**

**Guillermo Larrain**

**Chairman  
Superintendencia de Valores y Seguros, Chile  
IOSCO Emerging Markets Committee**

**Palais des Congrès  
Paris, France**

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Bonjour a tout et a toutes, c'est un honneur d'être ici et de m'adresser à vous dans cette ma première conférence comme Chef du Comité des Marche Émergents.

Good afternoon ladies and gentlemen, it is an honour to be here for my first address as the Chairman of the Emerging Markets Committee.

The Emerging Markets Committee under the leadership of Mr. M. Damodaran, the former chairman of the Securities and Exchange Board of India, and Mr. Bassam Saket, Chairman of the Jordan Securities Commission, has received fresh impetus to its activities based on their previous efforts.



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The Emerging Markets Committee is made up of a wide variety of regulators over varying types of jurisdictions. The committee has members from across all the regions of the globe and from some of the world's largest countries to its smallest. They span the entire range of development in financial services terms from purely developing to highly sophisticated ones.

Despite this variety, in the last 30 years most emerging markets have made enormous common progress. First, many of them adopted growth strategies based on trade openness. Second, fiscal discipline has been gaining support as unsustainable fiscal policies had previously only produced instability. Third, inflation control has also enjoyed similar support.

Such basic macroeconomic transformation taken jointly with important financial reforms, not only in securities markets but also on insurance, pensions and banking, has permitted something which, until recently, was not obvious: during the recent turmoil in financial markets in developed countries and under the threat of a recession in some of them, emerging markets have become a safe haven for world investors, have sustained world economic growth and contributed to damping down global inflation.



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As a group, emerging market bond and equity markets have grown more than twice as fast as developed markets between 2000 and 2007

This is particularly clear for those of us in large countries such as the so called "BRICs", namely Brazil, Russia, India and China, but it is also true in several other smaller countries such as Peru, Vietnam, Nigeria and some Gulf States just to mention a few.

Emerging markets have learned from past episodes of macroeconomic collapse and market disruption. As a result, several emerging markets today can contribute effectively to the discussions on building a more stable and sound international financial system.

All this has a number of consequences out of which I would like to mention:

- A) the need to take care of the public good; and
- B) to renew the dialog among developed and emerging markets.

As for the public good, I mean the following: an essential characteristic of a well functioning financial market is the trust among market participants.

Those who abuse that trust suffer sanctions in sovereign markets. In international markets, however, this is not necessarily the case as the offender can be in one jurisdiction while investing in another. We need to



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promote minimum requirements of cooperation between authorities in order to prevent undesirable behaviour from irresponsible market participants who may abuse of the trust the rest of the market have. This means we need to reinforce the process of signing up to the MMOU and the adoption of the IOSCO Principles, a process that only partially depends on us. This means we need to explain to political leaders and society at large the relevance of this process and the need for us all to get involved in it.

Concerning the need to renew dialog, the size and dynamism of emerging markets call for a renewed relationship with developed markets. The 'home bias' effect has receded significantly over the last years. However the way this process has taken place requires us to think a little bit. Indeed, a significant proportion of the increased exposure to emerging market risk has been channelled through hedge funds on the one hand and complex derivatives on the other. The reduction of the 'home bias' effect is welcomed because it means a healthier distributon of world savings across the globe and emerging markets can benefit from this. However, institutions and financial agents in recipient countries are increasingly facing new challenges linked to this dynamic environment.

The dialogue IOSCO has had with market participants has been mostly confined to large institutions in developed markets. This is of course more than reasonable in the context of the current market turmoil given it is a



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developed market crisis. But the increasing importance of emerging markets and some of its actors, we need to foster such dialogue with relevant emerging markets actors as well. I propose that regional meetings will increasingly serve this purpose.

Emerging markets have learned from past crises and experiences. This learning process needs to be shared with authorities and market participants in developed markets.

Finally, given the uneven situation of emerging markets we need to use the leverage that membership of such an important organisation as IOSCO can provide to maximise our resources to assist the development of difference emerging markets jurisdictions. Needs vary enormously from region to region and country to country. Financial market development is critical for sustained growth and we can be effective in fostering this.

I will make my best efforts to help IOSCO fulfil its mission in international financial markets but also to promote the development of local markets taking into account local needs and realities. I hope to outline this further at the Marrakech gathering of the Emerging Markets Committee in October this year.



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I expect to work hand in hand with Jane Diplock and Christopher Cox, the recently appointed Chairman of the Technical Committee. I only regret that I did not have the opportunity to work with Michel Prada, a master act for all regulators to follow.