



## Report from the Chair of the Africa/Middle-East Regional Committee (AMERC)

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- > Chair of the Africa/Middle-East Regional Committee
- > Director General, Securities and Exchange Commission, Nigeria

AMERC countries experienced mixed economic conditions in 2013. Sub-Saharan Africa continued to enjoy economic growth, as the region's average inflation rate fluctuated between high single digits and low double digits, an improvement over recent years. The World Bank expects the region to be among the fastest growing economies in the world. Its gross domestic product (GDP) was bolstered by robust growth in both domestic investment and productive capacity, and was projected to end 2013 with growth of 4.9%.

In the Middle East, region-wide political tensions hindered economic recovery and growth, and continue to be a major concern. The World Bank says economic growth is slowing, while inflation, unemployment and underemployment are rising in several key nations of the Middle East.

### AMERC Work and Activities

The AMERC region in 2013 continued to press for increased representation and a stronger voice on the new IOSCO Board.

AMERC's argument for a bigger say was based on a decision taken by the Growth and Emerging Markets Committee (GEM, then known as the Emerging Market Committee) at its Annual Meeting in Chile in 2012. There the GEM asked for greater representation of its members on the IOSCO Board and/or policy committees, commensurate with their growing weight within the IOSCO membership.

Let me express my appreciation to the IOSCO Board for its inclusive policy and for granting additional Board seats to AMERC. South Africa's election as Vice Chair of the GEM Committee at its meeting in Panama in May 2013, and the election of the Capital Market Authority, Saudi Arabia, to the IOSCO Board, also gave more visibility to AMERC.

During the period, AMERC held/attended the following meetings:

- > 30<sup>th</sup> AMERC Annual Conference and Meeting, Dubai 18-19 February 2013.
- > 38<sup>th</sup> IOSCO/31<sup>st</sup> AMERC Annual Conference and Meeting, Luxembourg. 15 – 17 September 2013.
- > The Mauritius Financial Services Commission (FSC) and US Securities and Exchange Commission (US SEC) Training Program in Mauritius, 5-8 August 2013.
- > IOSCO AMERC Corporate Bond Markets Outreach Program, Mauritius.
- > IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure meeting, 21- 24 October, Mauritius.
- > IOSCO Board meetings in Ontario and Australia.

The 30<sup>th</sup> AMERC Annual Conference was held in Dubai, the United Arab Emirates, from 17 to 19 February 2013. It examined the challenges of Risk Based Supervision (RBS). In a lively panel discussion, delegates were unanimous in the view that flexibility is critical in RBS as it is not a one-cap-fits all prescription.

The 31<sup>st</sup> AMERC meeting held on the sidelines of the 38<sup>th</sup> IOSCO Annual Conference/Meeting in Luxembourg enjoyed a large turnout of members, including the new affiliates from the region, i.e., the Nigerian Stock Exchange (NSE), the Union of Arab Securities Authorities (UASA) and the Johannesburg Stock Exchange (JSE).

The meeting provided a perfect venue for welcoming the new members and for sharing our concerns regarding the just approved Graduated Additional Measures, which are designed to encourage non-signatory IOSCO members to sign the IOSCO Multilateral Memorandum of Understanding on cooperation and the exchange of information. Many members who had not yet qualified to become MMoU signatories expressed concerns over their future in IOSCO, as the measures gradually seek to limit the participation of non-signatories in IOSCO policy work and leadership roles.

The forum also debated the issue of *Corporate Governance and Securities Regulation*. Mr Japhet Katto, former CEO of Capital Markets Authority, Uganda, made a presentation on corporate governance practices in Uganda, which resonated well with members at the meeting. Given that poor corporate governance practices at exchanges and listed companies continued to be a concern, members agreed to explore the topic further at subsequent meetings.

The continuous quest for best regulatory practices, and market development and capacity building drove AMERC to organize various training programs during the period. I am happy to acknowledge the commitment and outstanding efforts of the Financial Services Commission (FSC), Mauritius, in hosting the following training programs:

> FSC and US SEC Training Program in **August 2013**

In collaboration with the US SEC, the FSC hosted a Regional Training Program on *Effective Oversight of Capital Markets: Compliance, Examinations, Investigations and Prosecutions of Securities Fraud and Abuse*. The objective of the training was to build the capacity of members in these specific areas. This provided a platform for a series of discussions, case studies and an exchange of ideas on best practices. Delegates came from 14 countries, including Mauritius.

> IOSCO Africa/Middle East Regional Committee Corporate Bond Markets Outreach Program. **October 2013.**

This was a program developed and promoted by the GEM Committee, following publication of the document *Development of Corporate Bond Markets in the Emerging Markets* in November, 2011.

> IOSCO Committee 1 on Issuer Accounting, Audit and Disclosure Meeting (CI) **November 2013.**

FSC of Mauritius also hosted the IOSCO Committee 1 on *Issuer Accounting, Audit and Disclosure* during the meeting from 21 to 24 October 2013. Thirty three jurisdictions, including Canada, Australia, Brazil, Chile, China, United States of America, Spain, Ghana, and Hong Kong, among others, attended. Five international accounting firms—PricewaterhouseCoopers, Deloitte, Ernst and Young, KPMG, and BDO were also in attendance.

## Communications

We continued to intensify our communications strategy by sharing information through the *AMERC Quarterly Review* (a quarterly bulletin), an effective medium to educate and inform our members of developments in IOSCO and within the region. Four editions were published in 2013 and our members have come to appreciate its usefulness.

## Secondment

AMERC continues to support the work of IOSCO through secondment of its staff to the General Secretariat. Nigeria and South Africa made contributions in this respect. The exercise is found to be mutually beneficial both to the General Secretariat and for capacity building and technical training of staff from contributing jurisdictions.

## IOSCO Policy Committees

Our presence was also felt in IOSCO Policy Committees, where our members made contributions to committee assignments. These committees included Committee 2 on Regulation of Secondary Markets, Committee 3 on Regulation of Market Intermediaries, Committee 5 on Investment Management, Committee 7 on Derivatives Market and Committee 8 on Retail Investors, among others.



## Surveys

Our members gave priority to participating in IOSCO surveys. We participated fully in the GEM Survey on Capacity Building in which AMERC members expressed their strong preference for Education and Training as an important priority and need.

## Specific Regional Issues

Although AMERC members are operating in an increasingly challenging environment, we have continued to remain focused. A harsh political and social environment and tough economic challenges continue to confront us, often exacerbating the risks inherent in

the region. During our meetings, we raised and debated issues regarding the paucity of relevant market data, underdeveloped bond markets; equities-dominated markets; illiquidity; limited and unsophisticated instruments and other common features of our markets.

Following the bitter lessons of the financial meltdown, a number of jurisdictions have drafted (some are work-in-progress) five-to-ten year strategic plans aimed at fostering economic growth and development, and increasing global competitiveness. Among such countries are Nigeria, Saudi Arabia, Malawi, Egypt and Kenya.





## Planned Activities

We remain committed to encouraging those of our members who are yet to qualify as signatories to the IOSCO MMoU to do so before the graduated measures take full effect. We will continue additional graduated measures to provide all the necessary support we can to enable them to overcome the impediments that have hindered their progress so far.

Our 32<sup>nd</sup> Annual meeting, to be hosted by the Securities and Exchange Commission, Zambia, in 2014, is expected to bring together financial experts from specialized global financial institutions, including the International Financial Corporation (IFC). The theme is *Balancing Development and Emerging Regulatory*

*Issues*. The IFC will make the lead presentation on *Supporting Development of Emerging Capital Markets through Issuance of Local Currency Denominated Bonds: Successes and Challenges*. Panel discussions will feature sub-themes, such as *Innovations in Bonds Markets*.

We will continue to build capacity and gain leverage through various- on-going IOSCO programs, including education and training, and technical assistance. I will continue to encourage our members to participate fully in IOSCO events when feasible. The AMERC region has high potential for economic growth and expansion. Hopefully this will enable countries such as Cameroun, Zimbabwe and Botswana, among others, to prepare to become IOSCO members.







## Report from the Chair of the Asia-Pacific Regional Committee (APRC)

### Ashley Alder

- > Chair of the Asia-Pacific Regional Committee
- > Chief Executive Officer of the Securities and Futures Commission (SFC), Hong Kong

Under the leadership of the Securities and Exchange Board of India (SEBI) and the Securities and Futures Commission (SFC) of Hong Kong, the Asia-Pacific Regional Committee (APRC) paved the way in 2013 for strengthening regulatory cooperation and establishing a stronger Asian voice. In June 2013, the APRC sent a letter to the European Union (EU) on the recognition of Asia Pacific central counterparties (CCPs). The letter and the EU response to it represent just one example of how APRC members can exert their influence by acting collectively on matters of common interest.





Asia Pacific capital markets are already significant on a global level. But they need to expand further to ensure that market financing diversifies and develops as an important driver of sustainable economic growth.

As the only regional body of regulators responsible for the health and development of capital markets in Asia Pacific, the APRC is entrusted with pursuing these objectives while seeking to foster larger, deeper and more resilient markets in the region.

Two APRC meetings were held in 2013: in New Delhi, India, on 30 April and in Luxembourg on 15 September. At the New Delhi APRC meeting, SFC Hong Kong assumed the Chairmanship from SEBI India.

### **APRC Meeting on 30 April 2013 in New Delhi, India**

Private sector representatives engaged in a discussion with regulators on regulatory inconsistencies affecting Asia. The APRC Enforcement Database was also launched under the aegis of the SEBI chairmanship.

The APRC discussed issues arising from recognition of Asian CCPs under the European Market Infrastructure Regulation (EMIR). CCPs, both EU-based CCPs and non-EU CCPs, looking to provide services for EU-registered institutions were required to seek recognition with the European Securities and Markets Authority (ESMA). This policy would affect CCPs based in India and Hong Kong, as well as other APRC jurisdictions such as Singapore, Australia, Japan, China and Korea. The issue grew more important as the deadline of 15 September 2013 for CCPs to submit applications drew near. Hence it was decided that the APRC would take up the matter with the European Commission (EC). As Chair, I sent a letter to the EC on behalf of the APRC and its members on 7 June 2013, voicing our collective concerns about the recognition of Asia-Pacific CCPs under the EMIR.

### **APRC meeting on 15 September 2013 in Luxembourg**

Following the Luxembourg APRC meeting, a follow-up letter incorporating APRC members' collective views on

the same issues was sent to EU Commissioner Michel Barnier on 22 November 2013.

This correspondence has been one of the most significant regional initiatives championed by the APRC.

APRC members were also consulted on the top five issues and challenges facing each member as a market regulator five years after the outbreak of the global financial crisis. The objective was to identify areas of common concern or where jurisdictions could share experiences.

The responses highlighted the significant differences between developed and emerging markets. In particular, emerging markets were concerned about such issues as building capacity, deepening capital markets, increasing liquidity, and the role of global standards, etc. More developed jurisdictions were concerned about the extraterritorial aspects of US and EU OTC derivatives regulation, the globalization of markets and financial innovation and complexity.

These discussions reiterated the importance of having more advanced jurisdictions share their experiences, so that growth markets can learn from them when developing their own rules and frameworks.

APRC members were also given the opportunity to provide suggestions on topics of interest for the industry roundtable session and other discussions at the following APRC meeting.

In terms of regulatory collaboration and capacity building in the region, APRC members specifically discussed establishing a single or consolidated portal of communication for APRC. The portal would be an extension of the APRC Digest and Enforcement Database, and could also include a secondment register.

Members' views and suggestions were sought on ways to improve capacity building within the APRC prior to the next meeting, including practical issues such as how to fund the initiative and who would administer it, as well as the difficulties of implementation etc. Their views were shared at the Hong Kong APRC meeting in January 2014.





## Report of the Chair of the European Regional Committee (ERC)

### Carlos Tavares

- > Chair of the European Regional Committee
- > Chair, Comissão do Mercado de Valores Mobiliários, Portugal

The IOSCO European Regional Committee (ERC) currently comprises 51 IOSCO members from the European region (49 ordinary members and two associate members). Members discuss topics of interest to the region, and consider issues under discussion at the leading IOSCO committees. As ERC Chair, I participate at the IOSCO Board meetings, together with the two ERC representatives elected to the IOSCO Board. This collaboration facilitates the ERC's work, while providing invaluable input to Board discussions.

In late 2013 the European Commission was invited to join the ERC, after it was upgraded from an affiliate to an associate member of IOSCO, under a recent amendment to the IOSCO By-laws.

### ERC's activities in 2013, specific issues faced by ERC members, and challenges ahead

The ERC held three meetings throughout 2013: in Lisbon (March 7), in Madrid (June 12) and in Luxembourg (September 15), the latter on the occasion of the IOSCO Annual Conference.

The IOSCO Strategic Review 2010 - 2015 reinforced the role of regional committees within IOSCO. ERC members were routinely provided with information during 2013 on key issues pertaining to the projects and activities of IOSCO committees and task forces. ERC members had the opportunity to discuss issues of relevance to the committee itself and to the wider organization, including the Board. ERC members seek to consider important issues in advance of Board meetings, in order to contribute to Board discussions when deemed appropriate.

The IOSCO General Secretariat provided regular updates on the G20 and FSB work streams, as well as on IOSCO work, including OTC Derivatives, Financial

Benchmarks and new mandates, most notably regarding cross-border regulation and credible deterrence.

The Board also regularly informed the ERC of its discussions on issues concerning the IOSCO Strategic Direction Review 2010-2015, including:

- > proposed structure and approach to the IOSCO Capacity Building Resource Fund for financing activities in the areas of technical assistance and education and training;
- > proposals on the Board composition and on its working modalities post 2014. The latter was discussed in detail by the ERC, in a *discussion paper*.

There were also informative briefings by the IOSCO General Secretariat with regard to the IOSCO 2020 project and related preparatory work for the next five years, as part of the 2015-2020 Strategic Review. Key issues included the future role of the IOSCO Growth and Emerging Markets Committee within IOSCO, and proposals for rationalizing and prioritizing IOSCO's work.









Regarding the IOSCO *Multilateral Memorandum of Understanding concerning Consultation and Cooperation and the Exchange of Information* (MMoU), the IOSCO General Secretariat provided regular briefings to the ERC on the status of implementation by the IOSCO membership with a focus on ERC members. The ERC also discussed with the General Secretariat the proposed IOSCO Resolution on the additional graduated measures for IOSCO members who fail to sign the IOSCO MMoU. The resolution was adopted by the Presidents Committee in September 2013.

At the end of last year, 43 of the ERC's 49 eligible members were full MMoU signatories, and another had been accepted by the MMoU Decision-Making Group to sign the MMoU. Three members remained listed on Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions, but are committed to becoming signatories. Another member was invited to be listed on Appendix B, though it had not yet formally confirmed its commitment to seek the legal authority necessary for signing. Moreover, the IOSCO MMoU Screening Group was reviewing at end 2013 a MMoU application from an ERC member.

Throughout the year, members discussed topics of particular relevance to the European Region

and exchanged information on relevant regulatory developments in ERC jurisdictions. Discussions focused on emerging risks and trends in members' financial markets with a view to ascertain possible policy consequences for the European region and enrich Board discussions. An objective of the ERC is to ensure that the experiences and views of its members on financial risks are taken into account by the IOSCO Board and policy committees.

Several speakers – members and non-members - made pertinent presentations, which gave rise to fruitful discussions among ERC members. The issues covered included:

- > the FSB Shadow Banking toolkit to address shadow banking risks (by entities and products);
- > the supervisory challenges posed by the lack of available data for supervising securities lending, money market funds and non-bank SIFs;
- > the role of securities regulators vis-a-vis market prudential regulators / disclosure in recovery and resolution of banks;





- > crowdfunding frameworks in Europe and in the USA; and
- > the role of regulation in current financial markets.

The ERC also contributed its views on emerging risks to *The IOSCO Securities Markets Risk Outlook*, developed jointly by the IOSCO Committee on Emerging Risks (CER) and the IOSCO Research Department. Members discussed the report, which is aimed at providing an overview of some of the major trends and risks in securities markets, including the low interest rate environment, the search for yield, collateral management in a stressed funding environment, over-the-counter derivatives markets, and the reversal of capital flows to emerging markets. The ERC also commented on the proposal for a *Risk Dashboard* (guidance for identifying, monitoring and mitigating systemic risk), as developed by the CER.

Committee members were regularly informed in the year about the activities of the European Securities and Markets Authority (ESMA), including the latest regulatory developments in Europe. The main issues for the year were supervisory cooperation

regarding alternative investment funds (MoU negotiations); European Market Infrastructure Regulation (EMIR), the short-selling regulation (ESMA technical advice); supervision of credit rating agencies (CRAs); benchmarks and the ESMA risk vulnerabilities report.

Going forward, the ERC's objective is to contribute to IOSCO's work, with a view to uniting members around a set of common goals and create a common front on issues of concern, either to the ERC or to the broader international financial regulatory community, at relevant external international *fora*. The committee will continue to speak out on behalf of members who do not have a seat on the Board, ensuring that the views and concerns of all members are reflected in Board decisions.

The continuous analysis and debate of regulatory developments and of emerging risks and trends within the European and global securities markets are a fundamental instrument for keeping members abreast of major trends in the regulatory sphere. They also help unmask potential difficulties that could require a response from IOSCO or the ERC and other policy committees or task forces.





## Report from the Chair of the Inter-American Regional Committee (IARC)

### Fernando Coloma

- > Chair of the Inter-American Regional Committee, *term ended March 2014*
- > Chairman, Superintendencia de Valores y Seguros, Chile, *term ended March 2014*

**Not surprisingly, 2013 has been a very intense period for the Inter-American Regional Committee (IARC). Its members faced new challenges, as an economic slowdown in emerging markets, moderate growth in commodities prices and persistent stagnation in the most important developed economies created a context of economic uncertainty. Though the economic outlook for the Americas, and Latin America in particular, remains relatively positive for 2014, countries in the region will need to implement responsible measures in order to achieve sustainable long-term growth.**

In this context, the IARC / COSRA (Council of Securities Regulators of the Americas) meetings have provided different jurisdictions in the region with the opportunity to share their concerns, and exchange ideas and proposals on how to deal with the main challenges in their markets. In 2013, two IARC/COSRA meetings were held, one in Lima, Peru in May and the other one in Quebec City, Canada, in October.

### Activities and Topics treated during 2013

During the first meeting in 2013, we addressed some very interesting and important topics. Key issues discussed included investor education and the challenges of providing adequate protection to investors in the region. We discussed the difficulties posed by investors who are unaware of the risks they face when operating in securities markets.

Another key subject on the agenda was the financing through the capital markets of small and medium enterprises (SMEs) in emerging markets. This discussion highlighted the diversity of approaches taken by the different jurisdictions towards SME financing, not only in the region but also in the world. A presentation by Alparslan Budak, Assistant Secretary General of the Turkish Capital Markets Association,

illustrated the hurdles SMEs must surmount in order to access capital markets. It was a stark reminder to IARC/COSRA members of the importance of addressing these problems if financing is to become available to SMEs.

During the second IARC/COSRA Meeting in Quebec City in Canada, I made a presentation on the Latin American Integrated Market (otherwise known as MILA, its acronym in Spanish). MILA is a far-reaching alliance of the stock exchanges of Colombia, Peru and Chile, aimed at promoting the development of the local securities markets and financial businesses in all three countries. Though this process of integration is a relevant advance for the region, several challenges remain for further consolidation, including enlarging MILA to include other instruments such as fixed income and new markets into this process. Also important is for it to advance towards a common model of risk-based supervision for MILA jurisdictions, following the standards of more developed integrated markets.

In the same meeting, a very interesting discussion on conflict of interests was held, particularly on related parties' transactions, which was the subject of a presentation by Daniel Blume (OECD) and Mike Lubrano, managing director at alternative asset manager Cartica Management, LLC. This discussion was very useful for IARC members, given the complexity of the topic.



We also had the chance to listen to a presentation by the COSRA Working Group on Risk Based Supervision, which was delivered by Mr. José Loyola from the Comisión Nacional Bancaria y de Valores (CNBV) of Mexico and focused on Mexico's regulatory response to this issue. Moreover, during this meeting two other subjects were presented; one on the regulation of Forex in Panama, by Mr. Juan Manuel Martans (Superintendencia del Mercado de Valores (SMV), Panama), and another on new IOSCO principles on clearing and settlement, by Maria Teresa Chimienti from the World Bank.

As the reader can see, significant work was undertaken in the year to deal with these different issues and seek efficient and innovative solutions. In this context, the IARC / COSRA meeting is undoubtedly an outstanding venue for members to share experiences periodically, and to assist each other when necessary.

## Regional Issues

IARC/COSRA members will continue to address a variety of very relevant issues for the region: Conflict of interests, SME access to financing, cross-border regulation, corporate governance and compliance monitoring, market oversight and moves to strengthen it through the implementation of a risk based supervision approach, are all topics of special interest for the region.

During 2014, IARC/COSRA members will elect new leadership, leading to the renewal of the region's

representatives on the IOSCO Board. During the Quebec City meeting, a IARC/COSRA Working Group on Board Matters was set up to coordinate and communicate in the most efficient manner the interests and concerns of the region to the IOSCO Board. IARC / COSRA members raised some concerns about the representation of the region within the IOSCO framework, as it did not fully reflect the interests and concerns of each sub-region of the Americas.

## Future Planned Activities

Looking ahead, IARC/COSRA will once again hold two meetings in 2014. The first one will take place in Mexico City, during May 8th and 9th 2014. The venue and the date of the IARC/COSRA second semester meeting still have to be confirmed.

During the Mexico City meeting, IARC/COSRA members will be asked to decide on whether to harmonize the IARC and COSRA by-laws in order to bring more clarity to the procedures followed by both organizations. This is a significant task that should be dealt with by IARC / COSRA members in 2014.

As mentioned, 2013 was a very productive year. A wide spectrum of topics and issues was addressed, and some relevant advances were made. As always, challenges remain and will require the collaboration of all IARC members if they are to be addressed adequately. Once again, understanding and cooperation among regional regulators will be crucial for meeting that goal.

