



Report from the Secretary General

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> Secretary General

Looking back, 2013 can be characterized as an important transitional year for IOSCO. It was a year of solid preparation, building the foundations for new challenges that are looming in the years ahead for the world's securities regulators, as financial markets swing increasingly in the direction of market and securities based financing. These sweeping changes are spurred, inter alia, by the ramping up of capital requirements in the banking system and the gradual clamping down on excessive leverage. Hence in 2013 we began to see the emergence of a new IOSCO policy agenda with emphasis on improving the functioning of capital and securities markets: developing securitization, long term infrastructure and SME financing, developing corporate bond markets, improving audit quality, and dealing with crowd funding and cybercrime.

These new trends are driving IOSCO to deepen its understanding of global securities market risks and to coordinate policy work well in advance of the possible materialization of such risks, both macro and micro, in all regions of the world. This means building better securities data bases, ensuring more timely data and drawing more on the expert knowledge of market participants, academics and regulators. The publication in 2013 of IOSCO's widely praised first *Risk Outlook* analyzing and determining the key securities markets risks we face was a major step forward.

IOSCO's Work in a Changing Financial Landscape:

Our international policy work has required continuous inputs into a wide range of the Financial Stability Board's work on reducing systemic risk. Examining the risks posed by the non-bank, non-insurance significantly important financial institutions (NBNI SIFIs), relaunching securitization work with the Basel Committee on Banking Supervision, our excellent cooperation with the Committee on Payment and

Settlement Systems (CPSS) on key financial market infrastructures and their resolution, margin requirements for non-cleared derivatives are just a few examples. The reality is, however, that the key areas of global regulatory reform (*too-big-to-fail* and cross-border resolution, OTC derivatives, shadow banking and capital) all have some way to go before regulatory completion. More emphasis needs to be placed on improving corporate governance and behavior in financial firms, encouraging profound changes in corporate culture, developing strong ethical principles with customers placed first backed up with much tougher sanctions, individual responsibility and jail terms for the worst offences.

The IBOR scandals, apparent forex and commodity market manipulation and mis-selling scandals all point to the importance of restoring trust in financial markets as a matter of urgency. IOSCO's pioneering work on benchmarks led by the US Commodity Futures Trading Commission (CFTC) and the UK Financial Conduct Authority was an exemplary global regulatory response in this respect. So, too, was our evolving work on credible deterrence.

As we focus more on how capital markets can play a bigger and more dynamic role in financing the global economy, it has been very encouraging to sense that our members, including all those from emerging market economies, recognize that there are major benefits to developing local securities markets with good regulation and supervision, and that these can result in sustainable increases in long term economic welfare. The challenge for IOSCO is to support these changes by supplying our members who need help with first class educational and technical assistance programs. The Growth and Emerging Market (GEM) Committee has carried out first class work on clarifying the priority needs.

We did not witness in 2013 the big step forward in capacity building that we wanted; indeed the idea of an IOSCO Foundation foundered. But recent decisions by the Board to accept a temporary increase in contributions from the permanent Board members in 2015 for capacity building purposes will be a significant catalyst to get these vital programs underway. I very much welcome this development. The IOSCO General Secretariat will seek to broaden the financing for capacity building as much as possible, working with IOSCO's leadership and management teams.

The remarkable IOSCO Multilateral Memorandum of Understanding moves from strength to strength. As of June 2014, we had 102 members who participate in it, and many of those who remain outside are making strenuous efforts to become signatories, often by changing their laws. Discussions are underway to extend the MMOU further, which is very desirable, though the transitional provisions will need careful planning. The Committee on Enforcement and Exchange of Information (C4), the Screening and Monitoring Groups, and the Secretariat's MMOU team deserve great credit for driving this work forward. Today there are some 2,500 exchanges of information a year under the MMOU for enforcement purposes.

Preparing IOSCO for the Future

Organizationally IOSCO has made significant progress in the last 18 months. Membership and voting rights have been resolved; the IOSCO Board's composition and working modalities were agreed; and more profound work on prioritization is underway. In the Rio de Janeiro annual conference in late September 2014 a new IOSCO Board will be constituted and will decide on the new committee Chair and Vice-Chairs for the next two years.

We also began preparing our future in 2013 with the launching of the 2020 Survey to define what sort of IOSCO the members want. What changes and resources are necessary for IOSCO to tackle the new challenges it faces? I hope we will be ambitious and forward looking. Early results from the survey show that

dealing with the rapid growth in cross-border activities in the years ahead is the top challenge identified in the responses. The survey underscores the long term importance of the new cross border task force chaired by Ashley Alder, the Chair of the Hong Kong Securities and Futures Commission. It is evident we will need to develop new forms of cooperation and assistance to reduce cross border conflicts of law.

This snapshot underplays the vast range of IOSCO's growing activities. But none of them would happen without the dedication and commitment of IOSCO's leadership and its members and the staff of the IOSCO General Secretariat. I owe a particular debt of gratitude to Greg Medcraft, the current Chair of IOSCO, for all his commitment, energy and support, and to our two Vice-Chairs, Howard Wetston and Ranjit Singh, the Chair of the GEM Committee. The IOSCO Board is working well and the committee and task forces are putting in much effort. The AMCC has been strengthened by José Carlos Doherty's work as Chair.



The IOSCO General Secretariat now has almost 30 people coming from 20 nationalities, which I consider to be an important asset. I greatly appreciate that about a third of our staff are generously seconded from our members. My team has worked very hard and I am deeply grateful to all of them. My deputy Tajinder Singh has been outstanding.

After more than 35 years of international work I still hold strongly to the view that few experiences are more satisfying and gratifying than when large numbers of people from very different backgrounds and countries try their best to cooperate and define together their common interests. This is never easy, but so essential. IOSCO has a growing global role. Working together, spreading best practice, acting together wherever possible in mutual respect, and supporting the efforts of all our members to develop their securities markets, narrows differences and can significantly help economic development. We have a unique opportunity to make this happen in the years ahead.