



31st Annual Conference of
The International Organization of Securities Commissions (IOSCO)

7th June 2006
Hong Kong

Opening Ceremony

Philippe Richard

Secretary General, IOSCO

**IOSCO ANNUAL CONFERENCE
OPENING CEREMONY
7 JUNE 2006**



OICU-IOSCO

**Philippe Richard
IOSCO Secretary-General**

The Honourable Rafael Hui, Chairman Martin Wheatley, Distinguished Guests, Ladies and Gentleman,

It is a great pleasure to be here at the 31st IOSCO Annual Conference in Hong Kong. It is also a delight for me to return here to one of the most vibrant cities in the world and truly one of the most successful financial centres.

From an IOSCO view point it is an added pleasure to be here since the regulatory authorities here in Hong Kong have always played such a constructive and dedicated role within our organization. So, it is an opportunity for those of us in the IOSCO family to openly recognize that positive role and to acknowledge in advance the success of this week's events.

My comments today will be brief. For my part, I wish to take this opportunity to highlight two key aspects about the IOSCO way of operating which I believe help to explain the success of our organization. As Secretary General you will understand that I have a special duty in ensuring that this organisation operates fairly and efficiently.

Accountability

So, firstly, I wish to focus on the issue of accountability and to note that IOSCO's broad membership, democratic mode of operation and consensus based standard setting procedure are key elements underlying the organization's legitimacy and international accountability.

We engage on issues where there is a shared interest or a perception of risk among our members. At the moment we are enhancing our tools kit in order to strengthen our risk analysis and prioritization process. IOSCO's legitimacy and accountability are also reinforced by the fact that the authority of the member regulators is essentially delegated from their respective governments and parliaments, to which they remain accountable particularly when they develop and implement new regulatory standards.

We also recognize that, in addition to being accountable to our members, we are directly accountable in some measure to the securities industry itself. We have become increasingly conscious of this in recent years. Our work has come to have greater impact and the industry has become increasingly vocal in its demands for transparency and consultation in the policy making process. We publish our work program and consult the public and all stakeholders before setting new standards

Certainly, it is enormously reassuring to look around the conference venue today and to recognize so many industry representatives. This I hope is testament to the strength of our relationship and the openly accountable manner in which the organization deals with industry.

Indeed, we believe that our interactions with the financial services community along with the more rigorous and demanding standards we set for ourselves with respect to consultation fully meet these demands.

Implementation

The second area I wish to mention which sets IOSCO apart relates to our standards and the method of their implementation. When developing international standards for securities markets, IOSCO is, as stipulated in our bylaws, concerned with maintaining fair, efficient and sound markets. Protecting investors, minimizing systemic risks and promoting strong cross-border enforcement related cooperation and exchange of information are also critical objectives underlying all the organization's operations and standard setting activities.

IOSCO members are keenly aware that, notwithstanding the globalization of international financial markets, implementation will, for the foreseeable future, will remain a matter for national regulators. Nevertheless, we all acknowledge that international trends and decisions will play an increasingly important role in this arena and we as securities regulators need to be alert to this development.

In this context, standards, principles and best practices need to have regard to the practical constraints related to implementation in the field. Accordingly, IOSCO differs from others in that we have adopted a flexible yet pragmatic approach that focuses on the ultimate target of implementation and the benefits it has the potential to deliver. In other words, the regulatory standards developed by IOSCO can be seen as best practices that can be realistically implemented.

Indeed this approach is reflected within both the IOSCO Principles as well as the IOSCO MoU which is currently such a high priority of the organization's strategic direction and likely to remain so in the short to medium term.

However, this method of operation goes much further than these two fundamental principles. Beyond these and during the last year or so IOSCO has delivered analysis and principles on a wide range of issues including governance for collective investment schemes, compliance function at market intermediaries, exchange evolution trends, guidelines for debt disclosure principles, code of conduct fundamentals for credit rating agencies and another centerpiece document with the measures outlined in our report to strengthen capital markets against financial fraud to name but a few.

To cut a long story short, I would argue that at IOSCO we say things but we also do things. We listen, consult, analyze, discuss and then deliver.

Challenges

Experience has shown that implementation of standards and principles is a challenging process for regulators and that difficulties vary significantly depending on the stage of development of each securities market, on the financial resources available and on the level of commitment to implement.

Each situation implies a different set of issues with different implications for the nature and level of resources that need to be provided. The specialized technical resources and

the related financial ones committed to implementation – directly by the organization and indirectly through its members – are substantial. In the delivery of this assistance, the General Secretariat plays a critical role in administering and monitoring the IOSCO assistance programs and training initiatives.

IOSCO has also adopted operational priorities to more effectively focus the use of these resources internally and has an active and continuous policy dialogue with institutions such as the IMF and the World Bank, which have also a key role in assessing compliance with the standards set by IOSCO and other similar bodies.

Given that some of the obstacles to effective implementation are legislative in nature, technical assistance often needs to be complemented by high-level policy expertise. Fortunately, the IOSCO leadership is strongly committed to these objectives and the wider implementation of the IOSCO Principles.

Conclusion

The decisions which we are debating and taking this week will enable IOSCO to become an even stronger and more effective organization. We have achieved much in the last few years particularly in setting new international standards of cooperation, enforcement and information exchange. As a result, our international reputation has been greatly enhanced. However, let us not underestimate the challenges that lie ahead. There remains an enormous amount of work in front of us especially in helping our members implement these existing standards and in promoting capacity building within member agencies.

Nevertheless, we believe that as a global standard setter, IOSCO itself adheres to the highest standards of governance, transparency and accountability. We recognize the impact we have on global securities markets and the need to balance these against the imperatives of sound and good regulation. We constantly review our internal processes to ensure we get this balance right and we vow to continue working to improve this process.

Thanks

Finally, I would like to join my colleagues, Chairs Jane Diplock, Michel Prada and Dogan Cansizlar, in extending the warmest of welcomes to those of you have traveled to Hong Kong. During the last few days we have already been working hard and together we have built the foundations for a stimulating and ultimately successful conference.

I would also particularly like to commend the organizers of this conference and the Hong Kong Securities and Futures Exchange for their outstanding efforts. A few years ago when the decision was taken to award the 2006 IOSCO Annual Conference to Hong Kong, we knew that we would not be disappointed and everything we have witnessed to date has justly confirmed that for us. Indeed, Chairman Martin Wheatley and his team have done a superb job in helping to organize this year's conference. Their professionalism and dedication has been exceptional and on behalf of IOSCO, I extend my warm thanks for their most generous hospitality.

Thank you.