

## **Final Communiqué of the XXIXth Annual Conference of the International Organization of Securities Commissions**

The world's securities and futures regulators and other members of the international financial community met in Amman, Jordan from 17 to 20 May 2004, on the occasion of the XXIXth Annual Conference of the International Organization of Securities Commissions (IOSCO). The Jordan Securities Commission hosted this year's Conference and warmly welcomed more than 500 participants from all regions of the world.

The Conference was officially opened by His Majesty King Abdullah II, whose presence was a strong statement of support to the regulators of the capital markets and for their independence.

H.E. Dr. Bassam Saket, Executive Chairman of the Jordan Securities Commission, noted in his remarks:

Regulators have recently faced tremendous challenges that warrant us to think beyond our own jurisdictions' short term goals. Regulators must be vigilant as they are in charge of making rules and regulations designed to protect the supremacy of the law in transparent and efficient markets.

Professor Fernando Teixeira Dos Santos, Chairman of the IOSCO Executive Committee, also addressed the Conference and noted:

In a globalized world, IOSCO is more than ever relevant and is moving ahead with critical projects designed to upgrade the implementation level of its high-level regulatory standards in all its members' jurisdictions. This global effort will strongly contribute to reduce systemic risk and improve investor protection.

In his remarks, Mr. Andrew Sheng, Chairman of the IOSCO Technical Committee, noted:

IOSCO has come to maturity as the undisputed authority and standard setter for regulation of securities markets. Standards and enforcement action are only effective if there are sufficient resources and determination to implement these standards. We need to work harder at working together, quickly and effectively, to detect, deter and sanction misconduct in cross-border markets.

Dr. Dogan Cansizlar, Chairman of the IOSCO Emerging Markets Committee, noted in his address:

In today's globalized world, the toughest challenges we face mostly have international dimensions. Considering that emerging markets have insufficient domestic savings and funds, they are in deep need of attracting foreign capital. The need to attract foreign capital has underlined the importance of

international standards in areas such as good governance, accounting and auditing, and cooperation and the exchange of information among jurisdictions.

A number of important initiatives and accomplishments were announced at the Conference:

### **Update on High-Level Chairmen's Task Force Regarding International Securities Fraud**

The Technical Committee issued a Press Release on 18 May 2004 upon the conclusion of its meeting at the Conference regarding the work of the High-Level Chairmen's Task Force on Strengthening Securities Markets Against Financial Fraud. This Press Release is now posted on the IOSCO website at [www.iosco.org](http://www.iosco.org).

### **Update on Code of Conduct for Credit Rating Agencies**

In its 18 May 2004 Press Release, the Technical Committee also provided an update on the work of its special Chairmen's Task Force that is developing a Code of Conduct for credit rating agencies.

### **IOSCO Adopts Principles on Client Identification and Beneficial Ownership for the Securities Industry**

The IOSCO Presidents Committee, representing all IOSCO members, endorsed the *Principles on Client Identification and Beneficial Ownership for the Securities Industry* that were adopted earlier in the Conference by the Technical and Executive Committees. The Presidents Committee's adoption of these Principles represents the commitment of the global community of securities regulators to robust standards of client identification for the securities sector. See further the 18 May 2004 Press Release.

### **Strengthening Cooperation Through the IOSCO MMOU**

The IOSCO *Multilateral Memorandum Concerning Consultation and Cooperation and the Exchange of Information* (IOSCO MMOU),<sup>1</sup> adopted in May 2002, represents IOSCO's seminal work in the area of regulatory cooperation and information sharing, reflecting years of work in this field. Currently, 26 IOSCO members have signed the IOSCO MMOU and two jurisdictions have joined the Appendix B list of the IOSCO MMOU, evidencing their commitment to undertake the necessary reforms to become a full signatory. Applicants to the IOSCO MMOU are subject to a rigorous screening process undertaken by a specialist group of experts selected from across IOSCO's membership. IOSCO today announced that the Financial Market Authority of Slovakia has signed the IOSCO MMOU.

### **IOSCO to Hold a High-Level Conference in New York**

The Technical Committee is organizing a high-level conference to be held in New York on 28-29 October 2004. Invitees to this conference will include senior executives and market professionals from all segments of the securities sector, Chairmen and other senior representatives from the Technical Committee and other IOSCO members, senior executives

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<sup>1</sup> IOSCO Public Document No. 126, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

from other financial services sectors and their supervisors, officials from other international organizations, and academics. The purpose of this conference will be to engage in an extensive, in-depth dialogue regarding critical matters facing the securities sector. The conference will be organized around a series of eight high-profile panel discussions at which formal papers will be presented and major policy positions outlined. Following the conference, a compendium of the conference documents will be published.

### **IOSCO Adopts eMethodology**

IOSCO also today announced a new feature available to IOSCO members on its Internet website ([www.iosco.org](http://www.iosco.org)) - an electronic, interactive version of the recently endorsed *IOSCO Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* (Assessment Methodology).<sup>2</sup> This electronic version (referred to as the eMethodology) is intended to facilitate IOSCO member self-assessments and third-party assessments of securities regulatory regimes.

### **The IOSCO Assisted Self-Assessment Program**

IOSCO is increasingly focusing its efforts on promoting the implementation of its principles by its members. The variety in the structure of securities markets around the world, the varying degree of development of those markets, and the varying institutional arrangements to regulate those markets present great challenges to IOSCO and its membership in achieving full implementation. To assist its members in this task, the IOSCO Executive Committee approved in February 2003, a pilot program to assist its members in the completion of a self-assessment of their level of implementation of the *IOSCO Objectives and Principles of Securities Regulation*. Pursuant to this pilot program, experts selected by IOSCO from among its membership assist each participating jurisdiction in an assessment of its level of implementation of the IOSCO Principles using an innovative Assessment Methodology and in the development of an action plan to correct identified deficiencies.

While in an early phase, IOSCO anticipates that, with a sustained effort over time, the organization will be able to assist its members in achieving full compliance with IOSCO Principles as they exist today and as they may be further developed in the future. It is clear that in a world of globalizing securities markets involving a high level of cross-border economic activity and investment, all jurisdictions must develop and adopt an effective regulatory regime for the securities sector to protect investors; to ensure that markets are fair, efficient and transparent; and to reduce systemic risk. Further, to facilitate the investigation and prosecution of international securities fraud, the development of an effective network of enforcement cooperation among securities regulators, as contemplated by the IOSCO MMOU, must continue and be enhanced.

### **Joint Forum**

IOSCO is pleased to have continued its collaboration with the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors in the Joint Forum. In its upcoming report on *Financial Disclosure in the Banking, Insurance and Securities Sectors: Issues and Analysis*,<sup>3</sup> the Joint Forum examines the progress made by financial firms in

<sup>2</sup> Adopted in October 2003. IOSCO Public Document No. 155, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

<sup>3</sup> To be published on the IOSCO website on 24 May 2004.

adopting the recommendations contained in the report of the Multidisciplinary Working Group on Enhanced Disclosure<sup>4</sup> issued in April 2001 and the efforts of regulators and other standard-setters in the area of financial disclosure.

## **Islamic Capital Markets Task Force Fact Finding Report**

The Islamic financial services industry has grown in relevance within the global financial market. In this connection, the Executive Committee established an Islamic Capital Market Task Force to undertake a fact-gathering exercise to assess the extent of the development and potential regulatory issues relating to the Islamic capital market, as well as collecting information on Islamic financial products and activities. This Task Force issued at this Conference an *Islamic Capital Market Fact Finding Report*.<sup>5</sup> This study is an information document that details the landscape of the Islamic financial services industry in general and broadly highlights key issues concerning the Islamic capital market.

## **Accounting, Auditing and Disclosure**

### *Accounting Standards Setting*

The Technical Committee is continuing its close cooperation with the International Accounting Standards Board (IASB). The Technical Committee monitors and supports the work of the IASB, including standards projects on its current active agenda, as well as research projects and issues that might require future action.

The Technical Committee supports the efforts of the IASC Foundation Board of Trustees in its review of the IASC Constitution through its participation in a special subcommittee of the IASC's Standards Advisory Council, public roundtable discussions and other meetings with the IASC Foundation Constitution Committee.

The Technical Committee has initiated a project on "Regulatory Interpretations of International Financial Reporting Standards" to address communications among IOSCO members to promote the consistent application and enforcement of IFRSs. The major outputs of this project are expected to be a central database of regulatory decisions and a process for facilitating communications and cooperation among regulators and other enforcers relating to IFRSs. The Technical Committee also will seek to coordinate its work on this project with a comparable project being undertaken by CESR-FIN.

The Technical Committee also will undertake another initiative on "Review and Enforcement of Application of Financial Reporting Standards" focusing on the range of activities and powers that relate to reviews of public company financial statements by securities regulators and others. This project will focus on the powers and activities of a review process, and criteria and actions needed, regardless of the accounting standards in use. The major output of this project is expected to be an IOSCO statement of principles, best practices, and/or descriptions of effective models in use for such review functions. This project should conclude in 2005.

### *Auditing Standards Setting*

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<sup>4</sup> IOSCO Public Document No. 116, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

<sup>5</sup> To be published shortly on the IOSCO website.

The Technical and Emerging Markets Committees continue to participate in the discussions that have been taking place between the International Federation of Accountants (IFAC) and the international regulatory community regarding processes for the development of international auditing standards, including the discussions on the formation of a Public Interest Oversight Board (PIOB). IOSCO strongly supports IFAC's efforts in this regard and looks forward to the completion of its deliberations on the institution of improved arrangements for the setting of international standards on audits and for the oversight, in the public interest, of the audit profession internationally.

The Technical and Emerging Markets Committees will initiate shortly a Survey on Auditor Oversight as a follow-up to the issuance of the IOSCO general principles for auditor oversight and independence. The survey will be comprehensive, covering not only compliance with the existing IOSCO principles, but also other aspects of oversight including legal frameworks. The questionnaire also will capture information on existing practices that may not be in conformity with the IOSCO principles - a "baseline" as to whatever is current practice - as well as a progress report on implementation of the principles. The results of this survey will be shared with other international standard setters and the Financial Stability Forum.

### **Regulation of Secondary Markets**

In recent years, the use of a central counterparty (CCP) has moved beyond derivatives markets to many securities markets, including cash markets and over-the-counter markets. Although a CCP has the potential to reduce risks to market participants significantly, it also concentrates risks and responsibilities for risk management. Therefore, the effectiveness of a CCP's risk controls and the adequacy of its financial resources are critical aspects of the infrastructure of the markets it serves. In the light of the growing interest in developing CCPs and expanding the scope of their services, the Committee on Payment and Settlement Systems of the Board of Governors of the G-10 Central Banks and the Technical Committee of IOSCO concluded that international standards for CCP risk management are a critical element in promoting the safety of financial markets. Consequently, in March 2004, they published a joint consultative report on *Recommendations for Central Counterparties*.<sup>6</sup> Interested parties may make public comments on these proposed Recommendations through 9 June 2004. Comments should be submitted to the Secretariat of the Task Force at the Bank for International Settlements.

Stock Repurchase Programs (SRPs) are becoming an increasingly common practice worldwide. SRPs raise a number of issues for regulators relating in particular to the proper treatment of a company's shareholders and the need to ensure that SRPs are conducted in a manner consistent with orderly markets and market integrity. As a result, SRPs are widely subject to regulation. These issues, together with the increase in the volume of repurchase transactions in recent years, the increased interest in the use of derivatives, and the potential for shares to be repurchased through multiple trading venues, has led the Technical Committee to review the operation and regulation of SRPs and to issue a report on *Stock Repurchase Programs* (February 2004).<sup>7</sup> This report identifies and assesses issues relating to SRPs and provides a comprehensive descriptive analysis of the various regulatory approaches

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<sup>6</sup> IOSCO Public Document No. 165, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

<sup>7</sup> IOSCO Public Document No. 161, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

to SRPs in the jurisdictions of the Technical Committee's Standing Committee on the Regulation of Secondary Markets.

To address issues relating to the evolution of corporate bond markets, the Technical Committee has issued a report on *Transparency of Corporate Bond Markets*.<sup>8</sup> The report reviews trading methodologies, transparency arrangements and regulatory frameworks for corporate bonds, including reporting requirements, in the corporate bond markets of the jurisdictions represented on the Technical Committee's Standing Committee on Secondary Markets. It also compares differences in transparency arrangements among those jurisdictions and assesses the principal issues that arise in respect of corporate bond market transparency. The report proposes a number of core measures directed at the implementation of Principle 27 of the IOSCO *Objectives and Principles of Securities Regulation*,<sup>9</sup> which states: "Regulation should promote transparency of trading." These core measures call for greater access to bond market trading information and market surveillance to improve price discovery mechanisms and deter market manipulation.

Traditionally, exchanges have been responsible for a number of regulatory, or quasi-governmental functions. Demutualization and other new ownership and organizational structures have, however, raised a number of regulatory issues and, in particular, there are concerns about the potential conflicts of interest between business operations and their regulatory obligations. Consequently, both the Technical Committee and the Emerging Markets Committee have undertaken new work projects relating to exchanges' new ownership and organizational structures to assess appropriate regulatory responses to the issues raised.

The Technical Committee also approved a new work project relating to the error trade policies of exchanges.

### **Regulation of Market Intermediaries**

The Technical Committee will be cooperating with the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors under the auspices of the Joint Forum on a project relating to "outsourcing." Securities firms are increasingly entering into arrangements whereby other firms perform significant aspects of the entities' regulated and/or unregulated functions. For example, some firms may outsource record-keeping functions, such as producing account statements, while others have hired third parties to provide order routing services on their behalf. To the extent that such activities are outsourced to third party entities, regulators need to ensure that the functions are performed in accordance with relevant policies and procedures, and that the securities regulators can enforce compliance with such policies.

The Technical Committee and the BCBS have established a joint working group to address issues relating to the treatment of positions held by banks and investment firms in the trading book under the new Basel Capital Accord (Basel II).<sup>10</sup> The joint group intends to identify and understand the full range of trading book-related issues and to analyze proposed solutions to the issues identified.

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<sup>8</sup> To be published shortly on the IOSCO website.

<sup>9</sup> IOSCO Public Document No. 154, available on IOSCO's website at [www.iosco.org](http://www.iosco.org)

<sup>10</sup> See paragraphs 642 – 647 of the New Accord available on the website of the Bank for International Settlements at <http://www.bis.org/publ/bcbsca.htm>.

## **Enforcement and the Exchange of Information**

One of IOSCO's priorities since it was established has been to find ways to enhance the ability of members to cooperate in cross-border investigations of securities violations. The IOSCO MMOU, announced in 2002, is a key milestone in this regard. The Technical Committee recognizes that it is not enough to be able to discover the facts in cross-border enforcement cases if wrongdoers are able to hold on to their illicit gains. The Technical Committee therefore has commenced an analysis of powers available to regulators and other authorities within a jurisdiction to freeze assets and repatriate them to the jurisdiction where the violations occurred. The objective is to identify a range of approaches to the challenges associated with cross-border asset-freezes and repatriation.

## **Collective Investment Schemes and Asset Management**

The fees and expenses charged by investment funds have long been a concern for securities regulators and many jurisdictions are in the process of revising their regulations relating to such fees and expenses. The Technical Committee has completed a review of existing practices in this area and has issued a consultative report on *Elements Of International Regulatory Standards on Fees and Expenses of Investment Funds* (February 2004).<sup>11</sup> Interested parties may make public comments on this report through 30 May 2004. Comments should be submitted to the IOSCO General Secretariat and will be taken into account in framing regulatory best practices in this area.

The growth of collective investment schemes that track a defined index prompted the Technical Committee to undertake a study of how the asset management industry uses indices. The results of this study are set out in a report on *Index Funds and the Use of Indices by the Asset Management Industry* (February 2004).<sup>12</sup> This report summarizes the experiences of Technical Committee members with index funds and outlines their views on the regulatory issues related to the use of indices by the asset management industry. The paper explores the key themes arising out of the study and outlines the importance and growth of index funds and indexation in the asset management industry. The main regulatory issues and impacts surrounding index funds and indexation also are generally discussed.

In February 2003, the Technical Committee published its consultative report on *Performance Presentation Standards for Collective Investment Schemes: Best Practice Standards* ("Best Practices Paper").<sup>13</sup> Having considered the comments received during the consultation process, the Technical Committee has now adopted a final version of this report.<sup>14</sup> The Best Practices Paper suggests best practice standards for the presentation of CIS performance in advertisements.

Market timing, whereby arbitrageurs rapidly buy and sell CIS shares to take advantage of out of date or stale prices within a CIS's net asset value, raises costs for the CIS and harms other investors and by lowering the CIS' overall returns can present a conflict of interest between investors. This has resulted in regulatory action in several IOSCO member jurisdictions and the Technical Committee has determined that consideration of the various international

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<sup>11</sup> IOSCO Public Document No. 164, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

<sup>12</sup> IOSCO Public Document No. 163, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

<sup>13</sup> IOSCO Public Document No. 144, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).

<sup>14</sup> To be published shortly on the IOSCO website.

approaches to this issue would be advantageous. It, therefore, has approved a new mandate to develop international best practice standards in this area.

Recent CIS-related market events have called into question the effectiveness of the governance systems of the CIS operators involved. In response, the Technical Committee has approved a new mandate for work relating to the governance of collective investment schemes. The intended output of this work will be the identification of broad general principles, in part based on past work of the Technical Committee relating to CIS (e.g., reports addressing infrastructures for decision-making and conflicts of interest). It also may specify additional general principles, such as fiduciary duties, investor rights and the transparency of information. As part of this work, the Technical Committee also will conduct a fact-finding survey regarding the differing models of governance for varying types of CIS and the internal control framework and procedures, with the key objectives of understanding the effectiveness of current frameworks for oversight of regulatory or fiduciary obligations as well as the existing arrangements to ensure the safekeeping of CIS assets.

### **Other Activities of the Emerging Markets Committee**

The Emerging Markets Committee has conducted a survey on accounting review and enforcement mechanisms in emerging markets, the results of which were reviewed by the Committee in Amman.

The Emerging Markets Committee also has undertaken a survey on enforcement aspects of takeover regulation in emerging market jurisdictions. The Committee reviewed a preliminary draft report based on the survey results in Amman. A final report is expected in the second half of 2004.

### **The SRO Consultative Committee**

The IOSCO SRO Consultative Committee (SROCC) announced today the launching of a Web Site at [www.iosco.org/committees/srocc/](http://www.iosco.org/committees/srocc/). The Site has been designed to provide helpful information about SROCC member organizations' rules and requirements and to facilitate brokers' awareness and understanding of their responsibilities when conducting business in foreign jurisdictions.

The SRO Consultative Committee has issued a report on *The Function of Compliance Officer - Study on What the Regulations of the Member's Jurisdictions Provide for the Function of Compliance Officer* (December 2003).<sup>15</sup> In general, compliance officers are responsible for the oversight of a firm's compliance with applicable rules and regulations. To that end, they devise and maintain appropriate systems and controls for the firm as a whole and advise management and registered persons on compliance issues. Depending upon the particular jurisdiction and firm, compliance officers also may serve consultative functions, such as providing advice and support for business transactions and other firm activities.

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<sup>15</sup> IOSCO Public Document No. 160, available on IOSCO's website at [www.iosco.org](http://www.iosco.org).



## **IOSCO Training**

IOSCO and its members conduct a wide variety of seminars and training programs throughout the year. These programs take place in all regions of the world and benefit from the participation of IOSCO members and the expertise of their staffs.

The Securities and Exchange Board of India, with the assistance of the IOSCO General Secretariat and the IOSCO Implementation Committee, organized a regional training seminar in Mumbai on 2-4 April 2004. The seminar provided training in the use of the *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*.

The Capital Markets Board of Turkey, with the assistance of the IOSCO General Secretariat, organized a regional training seminar in Istanbul on 26-29 April 2004. The Seminar focused on the EU Market Abuse Directive with comparisons to the regulation of market abuse under US federal securities laws.

The Superintendencia de Compañías of Ecuador, with the assistance of the IOSCO General Secretariat, will hold a regional training seminar in Quayaquil, Ecuador on 7-11 June 2004. The Seminar will focus on the use of the *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* and the IOSCO MMOU.

The Emerging Markets Committee, with the assistance of the IOSCO General Secretariat, will host a regional training Seminar in Taipei on 24-25 February 2005, sponsored by the Securities and Futures Commission of Chinese Taipei. This seminar will address corporate governance in emerging markets, how to attract investors to emerging markets, investor protection policy and implementation, and the enhancement of the regulation of CIS in emerging markets.

The 2004 IOSCO Seminar Training Program, organized by the IOSCO General Secretariat, will take place in Madrid, Spain in November 2004. This year's program will address the practical aspects of using the new electronic, interactive version of the *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* that is currently available to IOSCO members on the IOSCO internet website and in developing action plans to implement changes in regulation whenever they are needed to meet the standards set out in the IOSCO Principles.

## **Public Panels at the Conference**

The public panels at this Annual Conference focused on key current regulatory issues relating to the following topics:

### ***New Challenges in the Regulation of CIS***

Collective investment schemes represent critical vehicles for both retail and institutional participation in securities markets. The agency and control issues that arise whenever one party manages the funds of others and the ease with which the managing party can abuse the trust of the persons who place their funds with him has long justified regulation of collective investment schemes and their operators. Recently, examples of new types of abusive conduct have

become evident, including late trading and market timing abuses and abusive pricing and other sales practice abuses. Panelists discussed the various kinds of abuses that have recently been uncovered and the regulatory initiatives that are proposed to address them.

### ***International Convergence and Public Oversight of Accounting and Auditing Standards***

The ability of investors to determine the financial condition of an issuer of securities and to evaluate the issuer's prospects for future earnings constitutes a fundamental underpinning of international capital markets. Accounting practices and requirements relating to issuers developed historically on a national basis. However, cross-border offerings of securities are rendered more difficult by variations in national accounting standards because an issuer generally must compile multiple financial statements in accordance with the accounting standards of each country in which the offer is made. National and international accounting standard setting bodies have been striving for a number of years to achieve greater convergence in accounting standards to facilitate international securities offerings. The integrity of audits of financial statements of internationally active companies also is critical to the proper functioning of capital markets. Assuring the integrity of international audits requires that they be conducted pursuant to internationally accepted standards. The International Federation of Accountants (IFAC), the international standard setter for the accountancy profession, in close coordination with IOSCO, is undertaking a series of reforms to ensure transparency in the standard setting process, to organize an ongoing dialogue between regulators and the accountancy profession, and to provide for public interest oversight of the accountancy profession. Panelists discussed the current status of efforts relating to the convergence of accounting standards and IFAC's reform proposals relating to auditing standards and their significance for international capital markets.

### ***Recent Evolution in Securities Market Price Formation Mechanisms***

The development of information technology has spurred tremendous innovation in the operation of securities markets. Among other innovations, information technology has permitted the development of alternative trading systems, electronic communications networks, and other mechanisms to internalize orders that may operate to fragment market liquidity and to render opaque the prices at which securities are trading in the various venues of the market. Additionally, in some jurisdictions, traditional asset managers have shifted from engaging in active asset management strategies to passive asset management strategies in which the objective of the strategy is to obtain a return that tracks the movement of a market index. At the same time, alternative investment vehicles are increasingly attracting funds for investment and are engaging in more active, aggressive strategies. The trading patterns and market dynamics that emerge from these (often computerized) trading strategies have implications that bear on the price formation process in these markets. Panelists discussed these trends and their impact on securities market price formation mechanisms.

## ***Mergers, Demutualization and Governance of Securities Exchanges***

The ownership and organizational structures of securities exchanges have been evolving for a number of years in many jurisdictions around the world. More and more exchanges are abandoning their traditional mutualized ownership structure, in which the exchange is owned by the brokers which execute trades on the exchange, and are converting to a corporate form of ownership, in which shares in the exchange may be owned by non-broker third parties. Additionally, many exchanges and related settlement systems are merging, consolidating within a single company group, or forming alliances with other exchanges and settlement systems. These changes in ownership and organizational structure have raised issues relating to the ability of a for-profit exchange properly to exercise regulatory responsibilities vis à vis brokers that execute trades on the exchange and to conduct proper surveillance on the market. These changes also raise issues relating to the adequacy of the corporate governance processes and mechanisms of exchanges, specifically relating to the ability of for-profit exchanges adequately to take into account the conflicting interests of owners, participating brokers, end-users, and the public in making decisions relating to the operation and management of the exchange. Panelists discussed these trends and their implications for exchange regulation and governance.

### **IOSCO Elections**

As a result of elections that took place during the Conference:

Andrew Sheng, Chairman of the Hong Kong Securities and Futures Commission, was elected as Chairman of the Technical Committee and Michel Prada, Président of the Autorité des marchés financiers of France, was elected as Vice-Chairman.

Dr. Dogan Cansizlar, Chairman of the Capital Markets Board of Turkey, was re-elected as Chairman of the Emerging Markets Committee and H.E. Dr. Bassam Saket, Executive Chairman of the Jordan Securities Commission, was re-elected as Vice-Chairman.

The Executive Committee is now composed of the following members:

- Andrew Sheng, Chairman of the Hong Kong Securities and Futures Commission, the Chairman of the Technical Committee;
- Dr. Dogan Cansizlar, Chairman of the Capital Markets Board of Turkey, the Chairman of the Emerging Markets Committee;
- The Chairmen of the four IOSCO Regional Committees:
  - Suleyman A. Ndanusa, Director-General of the Securities and Exchange Commission of Nigeria, the Chairman of the Africa / Middle East Regional Committee;
  - Koh Yong Guan, Managing Director of the Monetary Authority of Singapore, the Chairman of the Asia Pacific Regional Committee;

- Fernando Teixeira dos Santos, Chairman of the Comissão do Mercado de Valores Mobiliários of Portugal, the Chairman of the European Regional Committee;
- Marcelo Trindade, Chairman of the Comissão de Valores Mobiliários of Brazil, the Chairman of the Inter-American Regional Committee;
- Nine members elected by the Presidents' Committee:
  - Australian Securities and Investments Commission;
  - China Securities Regulatory Commission;
  - Autorité des marchés financiers of France;
  - Commissione Nazionale per le Società e la Borsa of Italy;
  - Financial Services Agency of Japan;
  - Ontario Securities Commission;
  - Financial Services Board of South Africa;
  - Financial Services Authority of the United Kingdom; and
  - The Securities and Exchange Commission of the United States of America.
- Four members elected by the Regional Committees:
  - Jordan Securities Commission;
  - New Zealand Securities Commission;
  - Polish Securities and Exchange Commission; and
  - Comisión Nacional de Valores of Argentina.

All of the above appointments and elected positions are for a two year term.

### **Renewal of Mandate of the Secretary General**

The IOSCO Executive Committee also has renewed the mandate of Philippe Richard, the IOSCO Secretary General, for an additional term of three years. Mr. Richard's renewed mandate will expire in October 2007.

### **Admission of New Members**

IOSCO also admitted 3 new affiliate members:

Jakarta Stock Exchange of Indonesia;  
 Karachi Stock Exchange of Pakistan; and  
 Taiwan Futures Exchange (TAIFEX) of Chinese Taipei.

As a result of these new admissions, the membership of IOSCO now stands at 174.

### **Future Conferences**

IOSCO will hold its 2005 Annual Conference in Colombo, Sri Lanka, hosted by the Securities and Exchange Commission of Sri Lanka, its 2006 Annual Conference in Hong

Kong, hosted by the Hong Kong Securities and Futures Commission, and its 2007 Annual Conference in Mumbai, India, hosted by the Securities and Exchange Board of India.

For further information on IOSCO's activities, contact the IOSCO Secretary General, Mr. Philippe Richard, at 34 (91) 417-5549 or by e-mail at: [mail@oicv.iosco.org](mailto:mail@oicv.iosco.org).