



## Report from the Chair of the Emerging Markets Committee

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- Chair of the Emerging Markets Committee
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The activities of the Emerging Markets Committee (EMC) over the past 12 months can be broken down into the following areas:

### FSB Related Issues

The Financial Stability Board (FSB) report on *Financial Stability Issues in Emerging Market and Developing Economies* (EMDE) was published in October 2011. The report, which was prepared in response to a request by G-20 Leaders at the November 2010 Seoul Summit, focused on five key financial stability issues in EMDEs:

- > Application of international financial standards;
- > promoting cross-border supervisory cooperation;
- > expanding the regulatory and supervisory perimeter;
- > developing domestic capital markets; and
- > managing foreign exchange risks. The EMDE Report made a number of recommendations on policy measures to national authorities in EMDEs to address these issues, and on ways that the international community can support them in their efforts. The EMC actively participated in this work stream, particularly in drafting the Report's Chapter on "Developing Domestic Capital Markets".

In addition to this workstream, I attended the FSB Plenary meetings held in Rome in April 2011 and in Paris in July 2011, representing IOSCO as the Chair of the EMC.

### New IOSCO Strategic Direction

The EMC has actively contributed to the work of IOSCO through my participation as EMC Chair in the Executive Committee and Technical Committee; particularly in the development of the new IOSCO Strategic Direction on the Future Role of the EMC, the fair representation of the EMC

in the IOSCO Board and the new IOSCO architecture. In addition, together with the EMC Vice Chair, I have also participated in the Task Force on the Strategic Direction.

Furthermore, I have also participated in the MMoU Decision Making Group, which decides on the applications to become a MMoU signatory.

### EMC Task Forces

#### EMC Chair's Task Force

The EMC Chair's Task Force, whose membership is open to all EMC members, aims to identify relevant regulatory issues and provide recommendations for future work. To this end, it was decided to circulate a survey to the EMC jurisdictions every year, and the annual surveys have been circulated since 2008. The results of the fourth survey were presented during the EMC Conference held in Punta Cana (Dominican Republic) on 18 October 2011.

#### EMC Task Force on the Development of Corporate Bond Markets in Emerging Markets

The Report on the *Development of Corporate Bond Markets in the Emerging Markets* was developed by a Task Force chaired by SC Malaysia and SEBI India. The Report was published in November 2011. This was a joint effort carried out by the IOSCO EMC in collaboration with the World Bank Group. The report aimed to review the current state of development of corporate bond markets in EMs, and discussed the issues and challenges. It has provided EMs with guidance and direction in regulating and developing their respective corporate bond markets. The report seeks to address the varying needs of the EMs in developing corporate bond markets that are at different stages of development. It has identified a comprehensive set of novel recommendations encompassing both regulatory and developmental issues.

The importance of developing local corporate bond markets has also been highlighted in the FSB Report to G20 Finance Ministers and Central Bank Governors on “Financial Stability Issues in Emerging Market and Developing Economies”, which was published in October 2011. A letter regarding the publication of the report was sent to the FSB Secretariat in December 2011 for circulation among FSB Plenary members. The idea was to submit the report to the forthcoming meetings of the FSB Regional Consultative Groups in order to promote its recommendations.

### **EMC Working Groups and Other Relevant Issues**

The recent activities of the five Working Groups of the EMC are described in the section of the Annual Report focusing on the Organization’s policy work.

The EMC was represented by the former Vice Chair Ms. Zarinah Anwar<sup>1</sup> in the Monitoring Board of the International Financial Reporting Standards Foundation. The members of the Monitoring Board are the Emerging Market Committee and the IOSCO Board (the Technical Committee, until May 2012), the European Commission, the Financial Services Agency of Japan and the US Securities and Exchange Commission. The Monitoring Board’s main responsibilities are to ensure that the Trustees of the IFRS Foundation continue to discharge their duties as defined by the IFRS Foundation Constitution, as well as approving the appointment or reappointment of Trustees.

## **Progress made by the EMC members in meeting the requirements of the IOSCO MMoU**

Following the approval of an IOSCO Resolution in 2010 to ensure that all IOSCO member jurisdictions have signed onto Appendix A of the MMoU by January 2013, the MMoU had 44 signatories from the EMC by the end of 2011. Additionally, 33 EMC jurisdictions were listed on the Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions but who are committed to becoming signatories. There are still three jurisdictions which have not applied to become a signatory to the MMoU. All of them are EMC members. Since the deadline of 1 January 2013 is approaching, I am greatly impressed by the efforts made and the commitment shown by the EMC members in support of this important goal. However, there is still work to be done on this front. EMC members should prioritize this area of work.

## **Training programs organized for emerging market members including a joint event with the SROCC**

The following seminars and training programs were organized for the EMC members over the last 12 months:

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<sup>1</sup>Ms. Zarinah Anwar retired as Chair of the SC Malaysia as of 1 April 2012 and her tenure of EMC Vice Chair ended on the same date. Mr. Ranjit Ajit Singh, the new Chair of the SC Malaysia, took over as the EMC Vice-Chair.





- > The first Inter American Mobile Seminar Training Program (STP) was held in San José, Costa Rica on 9 and 10 March 2011 on “Understanding New Financial Products and the Regulatory Implications of those Products”. The African Middle East Mobile STP was held from 8 to 10 June 2011 in Marrakesh on the same topic. On 29<sup>th</sup> and 30<sup>th</sup> of November, this STP was held in Kuala Lumpur for the APRC region.
- > The annual STP was held at the IOSCO’s headquarters in Madrid from 25 to 28 October 2011 on “Investor Protection: The Latest Developments in Research, Investor Education, and the New IOSCO Principles”.
- > The 4<sup>th</sup> SROCC Training Seminar was held from 1 to 3 November 2011 in Taipei, Chinese Taipei. The program covered issues relating to enforcement of regulations, management of conflicts of interest, risk management and internal control of market intermediaries, as well as principles for issuers on disclosure and transparency.
- > The sixth edition of the Joint IOSCO/FSI seminar on “Trading Book Issues and Market Infrastructure” was held at the IOSCO headquarters in Madrid from 16 to 18 November 2011. The first part of the seminar focused on the “CPSS/IOSCO Financial Market Infrastructures Work”, the second part on “Market Risk Framework and Counterparty Credit Risk” and the third part on “Market Developments”.
- > Risk-Based Supervision Workshop for the Africa/Middle East region was held in Kampala, Uganda from 11-14 October 2011, co-hosted by the Capital Markets Authorities of Uganda and Kenya. The workshop was designed for staff with responsibilities for supervision, and experts from the Netherlands AFM, US FINRA, and The International Monetary Fund (IMF) lectured in the training session. The training included two case studies on risk based supervision of securities firms and on mutual funds. The event was jointly organized with the IMF.
- > Four Market Development Workshops were organized within the ambit of the 2011 EMC Meeting and Conference in Punta Cana (Dominican Republic) from 17-19 October 2011. This was the first time that a “workshop format” was used which featured much more interaction and participation by member attendees than in past years. The new format has been very successful and has received a lot of positive comments from the membership.
- > A Seminar on Compliance with IOSCO Information Sharing: Admission to the MMoU was organized for 20 October 2011 by the EMC, together with the Toronto Centre as part of the 2011 EMC Meeting and Conference.

