



Report from the Chair of the Growth and Emerging Markets (GEM) Committee

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It is my privilege to present this year's report on the Growth and Emerging Markets (GEM) Committee. While 2015 was indeed a challenging year for emerging markets in terms of a less favorable external environment, the GEM Committee continues to remain focused on its three strategic priorities in the areas of risk assessments, policy and development work relevant to GEM, and regulatory capacity building. The GEM Steering Committee met three times over the course of 2015 and was central to the process of ensuring that the GEM Committee is effective in achieving its strategic objectives.

Strengthening assessment of risks in emerging markets

The GEM Committee is dedicating significant effort to increase the understanding of global market developments and their implications for emerging markets. Periodic engagements with leading global industry players and international organizations have been a regular feature of all the GEM Committee meetings. Conducted through risk roundtables and discussions, these engagements are aimed at helping members to better understand the risks to markets and to strengthen systemic resilience against global market stresses.

In a similar vein, a conference call between leading market experts and GEM members was arranged in September 2015, to analyze market developments and their implications. The Committee will continue to engage regularly with global market players to obtain relevant feedback.

The GEM Committee also continued to strengthen the voice and influence of emerging markets at the IOSCO Board and other global regulatory discussions. These include discussions at the Financial Stability Board (FSB) and the FSB's Emerging Markets and Developing

Economies (EMDE) Forum. At the EMDE Forum held in March 2015, we were given the opportunity to lead discussions on the need for deeper and more resilient capital markets, with a particular emphasis on the importance of improving the functioning and liquidity in corporate bond markets for yielding stronger growth in emerging capital markets.

Enhancing capacity building for emerging market regulators

Capacity building becomes all the more critical in the context of a challenging market environment. Regulators need to continue exercising strong regulatory oversight and to remain vigilant against market stress. As part of the GEM Committee's efforts to strengthen regulatory capabilities to manage risks, the Committee collaborated with the Toronto Centre to conduct a simulated crisis preparedness and contingency planning workshop on the back of the GEM Committee Annual Meeting in Cairo in April 2015. The exercise incorporated situations aimed at testing the regulators' ability to cope with disruptive market events, as well as the different components of the crisis management process, including interaction with relevant stakeholders.





Market Development workshops were also held during the IOSCO Annual Conference in June 2015, and focused on credible deterrence and consumer vulnerability. The workshop attracted a large number of GEM participants and drew high-level speakers from developed and emerging markets.

To further facilitate market developmental efforts, the GEM committee hosted a public conference themed *Accelerating Growth and Development of Emerging Capital Markets*, at its annual meeting in Cairo, Egypt. Topics covered during the conference included derivatives, exchange-traded funds, corporate bond markets and securitization, all with an excellent line up of international speakers. These areas of interest were identified based on members' feedback from the 2015 GEM survey.

Important strides also were made in strengthening the regulatory capabilities of GEM members. The agreement by the IOSCO Board to establish the IOSCO regional hubs will change the way IOSCO delivers capacity building services to its members and will complement the other strands of IOSCO's capacity building, including the Global Certificate Program, the Online Toolkit and the Secondment Program. The IOSCO regional hubs are expected to help alleviate the resource constraints faced by IOSCO and will contribute to the overall strengthening of the regulatory capacity of GEM members.

SME Financing and Mutual Funds in Emerging Markets

In 2015, two reports were published – one on *Financing of SMEs through the Capital Markets*, in July 2015. Led by Bert Chanetsa, Deputy Executive Officer of the Financial Services Board South Africa and Vice Chair of the GEM Committee, the report identifies challenges facing SMEs in accessing market based financing, and examines some of the successful measures implemented by regulators and policy makers to assist SMEs in tapping capital markets for funding.

Further, the joint-work between the GEM Committee and the World Bank culminated in the publication of a report on the *Development of Mutual Funds in Emerging Markets* in November 2015. The study examines mutual fund sectors in emerging markets and identifies best practices of jurisdictions that have exhibited strong growth in this sector. The report contains a toolkit of reforms for policy makers and practitioners seeking to develop their mutual fund industries.



Deepening regulatory and policy work

The GEM Committee currently has several priorities on its policy agenda for 2016. The first relates to digitalization and innovation in capital markets through financial technology or fintech. The impact of digitalization has been rapid and far-reaching in many emerging markets, from extending greater financial inclusion to previously underserved populations, such as retail investors and small enterprises, to increasing efficiency and lowering the cost of financing and the barriers to entry. Led by the Securities Commission Malaysia, the Committee seeks to contribute to IOSCO's ongoing work on fintech, including reviewing the development of digitalization in emerging markets and its impact on regulation and the implications on market risks.

The GEM Committee is also conducting work on *Corporate Governance in Emerging Markets*. Led by the Chair of CVM Brazil and Vice Chair of the GEM Committee, Leonardo P. Gomes Pereira, this report will review corporate governance structures, focusing on specific key areas that are critical for the sustainable growth of market-based financing. This will include the Board composition, accountability and responsibility, incentive structures and remuneration schemes as well as risk management.

Focus for 2016

The GEM Committee remains dedicated to ensuring that regulatory issues of importance to its members are appropriately discussed and considered within the Committee. These efforts have become all the more important given the significance of emerging markets in the global economy and, particularly, when the outlook for emerging markets for 2016 continues to remain challenging.

The GEM Committee will also be looking at strengthening its participation and contribution across the various IOSCO policy committees. Given the breadth of the GEM membership, this presents a significant opportunity for emerging market views to be substantively factored into IOSCO's overall policy and implementation work and standard-setting.

Finally, I would like to take this opportunity to express my gratitude to the two GEM Vice Chairs, Messrs Chanetsa and Pereira, members of the GEM Steering Committee and of the GEM Committee for their strong support and contributions. I would also like to thank the IOSCO Secretary General and the IOSCO General Secretariat for their significant efforts. I am also grateful to the Board Chair and Board members for their continuous support of the GEM Committee.