Plenary 6

Transparency in the Regulatory Process

20. Transparency in the Regulatory Process,
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PANEL 6
TRANSPARENCY IN THE REGULATION PROCESS

Mumba S Kapumpa
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OVERVIEW

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INTRODUCTION

What is transparency?
- limpidity, clearness, openness, to see something with the light showing through it

What is transparency in securities markets regulatory process?
- clear and understandable rules and regulations
- acceptance of the regulatory process through consultation with market players

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I. PRINCIPLES ON WHICH TRANSPARENCY IS FOUNDED

- Regulator should be accessible to all players
- Regulations should be made visible for all and publicly available all the time
- Rules should be clear and understandable
- Rules should be enforced fairly openly and should apply to all players in a non-discriminatory manner
I. PRINCIPLES ON WHICH TRANSPARENCY IS FOUNDED

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II. EFFECT OF INCREASED TRANSPARENCY ON ECONOMY AND FINANCIAL MARKET

- Integrity of market
- Protection of market
- Confidence in financial markets
- Thriving economy
- Greater prosperity for investors
- Enhanced tax collection sources for social services

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III. MOST IMPORTANT AREAS TO MAKE TRANSPARENT

- Sound consumer based regulations
- Market sensitive regulations
- Sound corporate governance principles
- Clear accountability
- Need for cooperation among regulators of financial services:
  - transparency spread across financial market landscape not just capital markets with aim towards single regulatory agencies for financial markets.
IV. FINANCIAL MARKETS SUPPORT FOR INCREASED TRANSPARENCY

Transparency provide answer to improper inequitable or unfair regulatory practices. To achieve this:

- access to regulator by market players
- market rules clear and objectively stated
- dedicated complaint resolution procedures
- investor education
  - especially among small individual investors
  - translate into local language (7 in Zambia)
- encourage cooperation between regulators of financial services
V. PROBLEMS OF DIFFERENT REGIONS OF THE WORLD

- Different levels of development of financial systems legislative and infrastructure
- Different national Payment and Clearing Systems
- Different Trading Systems
- Lack of resources to operate a Trading System
- Lack of cooperation by national systems to pool resources
VI. SADC REGIONAL EFFORT

- SADC: trade and policy coordination bloc
- Population 184 million
- 14 countries: Angola, Botswana, DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
- CISNA (Committee for Insurance, Securities and Non-banking Authorities), 1998
VI. SADC REGIONAL EFFORT CONT'D...

CISNA Objectives: address 3 challenges:

✦ Market Development:
  - establish sound regulatory frameworks

✦ Market Integration:
  - harmonised regional market in capital markets
    investment services, insurance, retirement funds

✦ Regulatory Arbitrage
  - free flow of capital under regional regulatory framework
VI. SADC REGIONAL EFFORT CONT'D...

- CISNA encourages members to complete IOSCO Survey Objectives and Principles of Securities Regulation

- 30 Core Principles relating to:
  - protection of investors
  - ensure markets are fair, efficient, transparent
  - reduction of systemic risk

Pre-emerging/Emerging Market Regulators:
- Transparency and Developing Market is priority
- Develop then Regulate: (Cannot regulate non-existent market!)

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VII. CURRENT STATUS IN IMPLEMENTING TRANSPARENT REGULATORY PROCESS

+ Very advanced systems on one hand, and fragmented small financial markets on other
+ Need to address challenges of Information Age, e-commerce, etc
  - protect investors
  - ensure markets are fair, efficient and transparent
  - reduce systemic risk
VIII. CONCLUSION

The Challenges

- developing vs regulating market
- gaps in legislation
- rewrite/revise/change legislation
- cross border activities
- largely unharmonised of legislation and regulation
VIII. CONCLUSION

The Challenges

- lack of co-operation in accounting and financial disclosure requirements for regulatory ends
- poor education, training and development of regulator’s staff
- poor investor education
- lack of coordinated research especially in emerging markets
- poor establishment of markets
VIII. CONCLUSION

What next?

- all financial markets, without exception, should strive to enhance securities, mutual funds and insurance laws comply with international standards
- close gaps in legislation
- rewrite/revise/change legislation
- facilitate cross border activities
- harmonisation of legislation and regulation
What next?

- cooperation in accounting and financial disclosure requirements for regulatory ends
- enhance education, training and development of regulator's staff
- enhance investor education
- enhance research
- establishment of markets
THANK YOU

FOR YOUR ATTENTION