



28th ANNUAL CONFERENCE
of the International Organization of Securities Commissions
14~17 October 2003, Seoul Korea

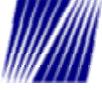


Opening Ceremony

Dr. Dođan Cansizlar

Chairman of the IOSCO Emerging Markets Committee
Chairman of the Capital Markets Board of Turkey

16 October 2003



CAPITAL MARKETS BOARD OF TURKEY

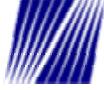


IOSCO

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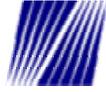


**Good Afternoon His Excellency Deputy Prime Minister,
IOSCO Members and Distinguished Guests,**

It is a great honor and pleasure for me to be here with you today in Seoul for the 28th Annual IOSCO Conference. I would like to take this opportunity to express my gratitude to the Financial Supervisory Commission and Financial Supervisory Service of Korea for their extraordinary hospitality and I would like to congratulate them for the organization of this years Conference. I believe that this will be a fruitful and memorable event for all participants.

Securities markets worldwide lived tough times in recent years. Developments and challenges such as; bursting of the Internet bubble, series of corporate collapses and accounting scandals, the demutualization and cross-border mergers of securities exchanges and economic slowdown in US, Europe and Japan as well as in many developing countries underlined the importance of securities regulation.

At the same time, technology and globalization continue to pull down old market structures and create virtual ones that span continents. In today's financial markets national boundaries became blurred. Investors are able to buy securities anywhere in the world around the clock and corporations are able to list their stocks in other countries. On the other hand, investors' capability and desire to invest anywhere in the world requires some kind of standardization or convergence in regulations. Yet each jurisdiction has its own set of securities regulations. A single set of securities markets regulations with the view of "one size fits all" can be realized only in an ideal world. In the real world, despite rapid technological developments and globalization, there are huge differences between jurisdictions due to unique characteristics deserving different regulatory approaches.



This standardization or convergence trend brings out good opportunities especially for developing countries too, if they can create an environment that attracts foreign investors and improve the infrastructure of their securities markets. Creating such an environment is a hard task and needs lots of work considering the problems that developing countries experience. These problems basically are **lack of stability**, lack of **strong regulatory framework** and lack of **technological infrastructure** besides **low levels of savings**, **uneducated investors** or let's say market participants, **underdeveloped corporate culture** and **low level of cooperation and information sharing** with other regulators.

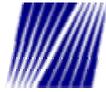
The most important of these problems is the lack of stability; both political stability and economic stability which has an indispensable and vital role in the development of securities markets.

However, at this point I have to say that attaining a stable political and economic environment is not enough itself for the development of securities markets. Stability must be supported with strong regulatory framework which, for the sake of protecting investor rights, must provide with disclosure and governance standards at internationally accepted levels as well as efficient and effective enforcement.

Ladies and gentlemen,

The challenges brought up by globalization and technological developments besides recent corporate collapses and accounting scandals underlined the importance of good governance and accounting and auditing standards, especially for emerging markets.

Good corporate governance is very important for the efficiency of global financial markets. It will be very valuable for the investors if they can be assured that jurisdictions comply with minimum internationally acceptable standards. It increases investor confidence and the attractiveness of a country in terms of inward investment and business development, and also the efficiency of its capital markets, and the effectiveness of capital markets in the service of the real economy.

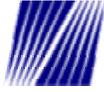


I would like to remind you that IOSCO is aware of the importance of the corporate governance that is essential to the development of robust, well-regulated capital markets. At the 2002 meeting in Istanbul EMC passed on a resolution to recommend its members to adopt corporate governance principles in their legislations, regulations or codes of good practices, using the **OECD Principles of Corporate Governance** as a benchmark or guide. The following years regulators should continue to study on the issue of implementation of good corporate governance principles. I know that many emerging market securities regulators have taken the necessary steps to achieve the implementation of good corporate governance principles. Within this context, I believe that establishing a special index for companies complying with corporate governance principles will be an encouraging factor.

Another important issue that regulators work on very hard is the harmonization of national accounting standards with international standards.

In this regard, the convergence of accounting standards is of utmost importance for the investors in comparing financial statements of corporations located in different jurisdictions. This is very important especially for the emerging markets which seek to lure foreign investment.

Within the context of providing reliable financial statements, which is a must for investor confidence, there have been significant global efforts for improving the **accounting regulations and practices**. I think that the most important progress is the study on the **convergence of US GAAP** (Generally Accepted Accounting Principles) **and the IAS** (International Accounting Standards). US FASB (Federal Accounting Standards Board) and IASB (International Accounting Standards Board) are working together to produce high-quality accounting standards across the major international capital markets. Moreover, the **European Union** has adopted a regulation that will require the **use of International Accounting Standards by 2005** as the official accounting standards. In an increasingly integrated world, the use of the same accounting standards among jurisdictions will enhance the quality of financial disclosure and improve investor confidence.



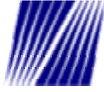
As a related issue, I would like to touch upon independent auditing, too. Corporate failures and accounting scandals also underlined the critical role of **independent auditors** in enhancing the reliability of financial information. Financial statements prepared by the management of the company should fairly present the current financial position and the past financial performance of the company. Moreover independent auditors should check to see whether companies are in full compliance with the accepted accounting standards. Effective oversight of the accounting profession and of independent audit is critical for the reliability and integrity of the financial reporting process.

In addition to these general problems, there are problems unique to emerging markets. Serving as the Chairman of the Emerging Markets Committee (EMC) of IOSCO since May 2002, I have had the privilege to witness firsthand the development of financial markets in emerging market countries as well as developed countries. As you may all agree despite the general recovery in the world economy, emerging markets still face different challenges from those faced by developed countries.

Besides the stability and other problems, companies still rely on banking and rarely prefer securities markets in financing their investments, and market participants, especially investors, still need more education in order to better understand the securities markets. I think that one of the most important challenges for developing securities markets can be identified as **creating the culture of public ownership** by intensive investor education programs. In this regard, I believe training programs within IOSCO will provide great support for overcoming this problem.

Ladies and gentlemen,

Another important issue that will be very beneficial for emerging markets is the **IOSCO Multilateral Memorandum of Understanding** that recognizes the importance of cooperation among regulators. This memorandum will help emerging markets regulators to integrate their respective jurisdictions with the developed world and facilitate cross-border cooperation and information sharing to combat against financial crimes including those committed via internet.



In this regard, **client identification** is a very important step in combating against financial crimes such as money laundering and the financing of terrorism. Even though there have been significant improvements in developed countries regarding this issue, there is still scope for improvement in developing countries due to their lack of proper regulatory framework and technological infrastructure.

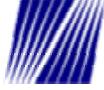
Ladies and gentlemen,

I underlined major developments and problems in securities markets from an emerging market point of view. IOSCO's approach to solve these multi-dimensional problems has been to set minimum acceptable international standards (IOSCO principles) for securities regulation as guidelines.

However, setting principles is not enough for effective implementation. In this regard, during the 27th Annual Meeting of IOSCO in Istanbul, Executive Committee approved the development of a methodology using benchmarks that will provide guidance on the assessment of the level of implementation of IOSCO Principles. The Task Force completed the **Assessment Methodology** and this important document has been approved by the Presidents Committee this morning.

With this project each jurisdiction can assess its compliance to the IOSCO principles and if there are discrepancies they may revise their regulations accordingly. I believe that the realization of this project will be a great accomplishment. We will have opportunity to achieve the compliance of all securities regulations with internationally accepted standards worldwide. One of the greatest beneficiaries of this project would be emerging markets, since it will be very precious to have an assessment of our domestic market and to send appropriate signals both to domestic and international investors.

I would like to share my views on an everincreasinlgy popular issue, namely, **Socially Responsible Investment (SRI)** which is a growing trend throughout the world. Up till now, SRI has drawn the attention of international agencies, non-governmental organizations (NGOs,) governments and the financial services industry. The underlying main idea behind SRI is an investment process that reflects investors' moral & ethical values and societal concerns. SRI is also linked with the "corporate governance", "corporate social responsibility" and "sustainable development". As investors force



companies to be sensitive to such issues, SRI is becoming a motivation to improve the quality of corporate relations in developing countries. Although, it might also be considered that such concerns would be luxury for emerging markets that are in need of external funds to finance their development, taking into account the pros and cons, I believe SRIs will be beneficial in the medium to long term.

To sum up, in today's environment of globalization and technological improvements, global financial system is like a chain and it seems to be as strong as the weakest link. For a healthy global financial system, both developed and developing country securities regulators as well as politicians have to work in close coordination and collaboration so as to strengthen market foundations and increase global wealth. At this point I would like to say with honor that IOSCO has been doing very well in this regard.

I have expressed my opinions on the challenges for securities markets and regulators in the view of recent developments. Obviously financial markets will experience unforeseen events in the times to come, however, we need to make sure that we are all well equipped with the necessary tools in order to help combat any adverse effects that may arise in an environment with imperfect market conditions. I am sure that the set of panels to be held here will contribute a lot to achieving this purpose.

It has been a great honor for me to be a part of this organization and to serve as Chairman of the Emerging Markets Committee.

I wish you all a pleasant conference. Thank you.