



31st Annual Conference of
The International Organization of Securities Commissions (IOSCO)

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Opening Ceremony

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31st Annual Conference of IOSCO
Mr Michel Prada
Chairman of the Technical Committee

Honourable Rafael Hui

Chairman Wheatley

Dear Jane, Dogan and Phillippe

Ladies and Gentlemen, dear colleagues and friends

I would like to begin by thanking our host, the Securities Commission of Hong Kong, its Chairman, Martin Wheatley for his warm hospitality in this magnificent Convention Center. The SFC has offered us a unique opportunity to experience this beautiful city. Hong Kong is an extraordinary location, one of the biggest harbours in the world, the harbour of strong scents as I believe Hong Kong means in Chinese. Hong Kong ! a Chinese city, with some of the traditions of the City in London. It offers to all those who wish to experience it, the meeting of cultures between east and west and is living proof that such different cultures can co-exist harmoniously.

Hong Kong is, of course, a global and sophisticated financial market operating around the clock which ranks ninth in the world and second in Asia.

I must say visiting Hong Kong is always for me a wonderful and fascinating experience.

I would like to take the opportunity of the Opening Ceremony of this annual conference in Hong Kong to pay tribute to my immediate predecessor, Andrew Sheng, who chaired the Technical Committee of IOSCO until September 2005. Under his brilliant leadership, the Technical Committee reacted promptly to the financial scandals that occurred during the recent years. In coordination with the Emerging Markets committee and Executive committee, an ambitious action plan was launched to strengthen the cooperation amongst IOSCO members and to improve the level of compliance of members with IOSCO standards. Andrew was an outstanding leader of the Technical Committee at this challenging time. On behalf of all the Technical Committee members, I would like to thank him for the time and the energy he devoted to this demanding task and to convey our best wishes for his future professional and personal life.

Dear Martin, you were right to pay tribute to our good friend Tony Neoh who chaired the TC when I chaired the Executive Committee and our friend Munir Abdul Majid chaired the Emerging Markets Committee. We owe him the vision and energy which allowed IOSCO to adopt the objectives and principles in 1998.

Let's come to what I consider as one of the main challenges IOSCO has to face : globalisation

Globalisation has been the leitmotiv of all economic and financial speeches for many years. Government leaders, financial managers and regulators, we all have directed our effort to prepare the forthcoming globalisation. Considered either as something dangerous, or promising, globalisation has been on the screen of all decision makers.

But considering some recent financial phenomenon's or events, globalisation is today no longer an identified challenge, but simply the world in which we do live.

The recent announcement of possible mergers between exchanges across the Atlantic, others initiatives in term of exchanges consolidation, cross border takeovers, majors IPO's mean clearly that globalisation has become a reality. It means that regulators are not only encouraged, but obliged to work together. Few issues remain purely national. National supervision is no longer sufficient to ensure a proper regulation of national markets. Since our markets are interlinked, since actors act on a cross border basis, financial initiatives have no frontiers.

The Technical Committee of IOSCO has identified these evolutions for quite a long time, and its ongoing work takes stock of recent developments. Let me give you some examples of our ability to cope with the realities of our environment.

We have taken in depth analysis of the consequences of demutualization of exchanges and we are studying its effects on the need for coordination between regulators in the field of oversight of exchanges, which is obvious very timely.

We participate in the work on the impact of Hedge Funds on the resiliency of the financial system, not only from the systemic point of view, but also from the point of view of individual investors, the

consequences of retailisation and the impact of risk transfer from intermediaries to the public at large.

In doing so, we participate in the global effort to monitor financial evolutions, together with our fellow regulators of the banking and insurance sectors, under the auspices of the Financial Stability Forum.

During the last ten years, the Technical Committee has achieved a remarkable amount of work in the scope of financial regulation, issuing principles and standards that are considered as benchmarks by the IFI's in their financial assessments of countries all over the world.

The quality and the relevance of IOSCO's work are recognised internationally. As an example, I would mention that IOSCO standards have also been taken into account by the European Commission that has implemented them, for instance through the 8th directive concerning audit and also through the Market in financial instruments directive, more precisely in relation to the standards on financial analysis. This demonstrates, if proof were needed, the high quality of the work achieved by IOSCO, but, more than that, it illustrates the need for IOSCO to continue its efforts.

Last year, and as the follow up to the report on financial fraud, the Technical Committee launched a series of initiatives. Some issues are currently in the process of being finalised, namely, amongst others, concerning independent Board members, rules of conduct of intermediaries when dealing with a public offering and the code of conduct for credit rating agencies.

Another remarkable achievement in the field of auditing is the creation of the PIOB. I would like to thank our colleague Manuel Conthe, chairman of the CNMV, the Spanish securities Commission, for his commitment for providing the location of the PIOB in Madrid, alongside of IOSCO. The creation of this body, chaired by our good friend Professor Stavros Thomadakis, in charge of ensuring the public oversight of the activity of the international audit standards setter, is a very important step forward. Accountability of standard setters is a key element in the process of convergence. I am glad that the PIOB includes members from the Basel committee, the international insurance committee, IOSCO, the IMF, the World Bank and observers from the European Commission. I hope that the recently created international grouping of auditor's oversight will join our efforts in order to strengthen its legitimacy and reinforce the accuracy of its work.

Indeed, inconsistencies and differences remain in various sectors and aspects of securities regulation. We have not yet achieved the goal set in 2000 in Sydney concerning the accounting norms. The Technical Committee remains, however, convinced that the adoption of IFRS in many jurisdictions and their use in numerous cross-border operations should help to achieve convergence and implementation of high quality global accounting standards. It is for this reason that the TC has established a mechanism for the sharing of information among authorities in order to promote consistency in the implementation of IFRS.

We have just started to work on corporate governance and the protection of minority shareholders and I personally believe that we will have to think about the issues raised by cross border take-overs.

In the most important subject of commercialisation of financial products, we should reinforce our joint efforts to harmonise rules of conduct and all types of due diligences that will ensure investor protection. I am glad that the Joint Forum has started a mandate on this aspect.

Finally, having in mind all these initiatives and the commitment of IOSCO members, I am confident in our collective capacity to promote integrity, efficiency, and level playing field in a global market system, where investors and issuers of the world can meet for the benefit of economic growth and common good.

Ladies and gentlemen, I hope this annual conference of IOSCO, here in Hong Kong, will contribute to the success of our work and will remain a milestone in the history of our Organisation.

Once again, I would like to thank our hosts for their magnificent hospitality and I wish you a fruitful and constructive conference.