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IOSCO SP003-08

## **Opening Ceremony Address**

**IOSCO Annual Conference**

**Paris 28 May, 2008**

**Jane Diplock AO**

**Chairman**

**Executive Committee, IOSCO**

**New Zealand Securities Commission**

### **Welcome Remarks**

#### ***Introductory Comments***

I am delighted to join our most gracious host Michel Prada, and our IOSCO Secretary General Greg Tanzer, in welcoming you here today.

Bienvenue! On behalf of IOSCO, welcome!

It is very special to be here in the magnificent city of Paris - the most visited city in the world - renowned for its rich cultural and artistic heritage. I know we will all treasure the memories of the time we spend here. I am reminded that Paris is also known as the City of Light (La Ville-lumiere). It has attracted this name, not only for the prosaic reason of its early adoption



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of street lighting, but more importantly because of its fame as a centre of erudition, culture and ideas. How appropriate then to be gathering in Paris to explore issues and ideas that are important to financial markets around the world! Transparency is an essential theme for the global capital markets, and for IOSCO. We have a vision for markets around the world that are fair, efficient and transparent. How fitting then that we will address such issues here in the City of Light!

As well as a splendid venue for our meeting this year, I salute our hosts Michel Prada and his colleagues at the Autorite des Marches Financiers (AMF). They have overwhelmed us with wonderful warmth, hospitality and organisational excellence for our IOSCO meetings over the last couple of days. And this exceptional hospitality continues over the next two days when together with the French financial community the AMF hosts an extremely interesting conference programme. I would like to personally thank my colleague and friend, Michel Prada, Chairman of the AMF, and his colleagues, for hosting this annual conference. We are all very well aware of the enormous amount of preparation that go into an event of these proportions. The occasion has proved magnificent and we are all truly appreciative.

It is particularly commendable in what has been such a tumultuous year in the financial markets. With unforeseen events due to the market turbulence



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having occupied us all, it is a credit to Michel and his colleagues that they have stayed on track to organise such an excellent event.

### ***Global challenges and IOSCO's technical work***

And it certainly has been challenging times. When one year ago I noted in opening remarks at our annual conference in Mumbai that change is an ever present certainty in the capital markets of today, I did not know then how prescient such a statement would prove to be. I certainly had not anticipated the level of change and disruption we would see in the year ahead. Indeed markets commentators over the past year have been particularly robust with phrases such as “today’s turbulent times” and “extreme volatility” being typical of how the financial markets have been described over the past year.

From a regulator’s perspective it is critically important that our regulatory frameworks keep abreast of today’s rapidly changing markets, and that these continue to promote investor protection, transparency and efficiency across borders.

For IOSCO, as part of the international financial regulatory system, the year has naturally proved one of corresponding challenge and change. On the very question of the sub-prime market crisis IOSCO’s Technical Committee acted quickly on a call to report on this crisis from the securities



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markets perspective. Under Chairman Prada's leadership of the Technical Committee a Task Force on the matter was set up in November. This now completed work was of course carried out in parallel with the Task Force on Credit Ratings Agencies which reviewed the recommended Code of Conduct for Credit Rating Agencies.

IOSCO addresses the most pressing current and future issues for securities market regulation. The questions of valuation of complex syndicated products; increased market transparency and the possible negative impacts of the sub-prime crisis are relevant matters to us all. Global co-operation by regulators in these matters is vital. The spill over of these issues is felt from one jurisdiction to another. Indeed the international financial community expect us, as the global standards setter for securities regulation, to coordinate efforts on how to address these issues. Other developments which IOSCO is watching closely at present include issues around private equity, hedge funds and codes of conduct of credit rating agencies all of which play important roles in markets globally.

### ***Tribute***

Much of this work as I have noted is carried out through IOSCO's Technical Committee and its various working groups and task forces. I would like to take a moment to pay particular tribute to the leadership of Michel Prada, as Chairman of the Technical Committee of IOSCO. Michel has led the



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Technical Committee through one of the more challenging and tumultuous periods in the recent history of the financial markets. Under Michel's leadership, the Technical Committee has embraced these challenges and addressed the issues with important pieces of work such as those I have just mentioned. Our peers in the financial community respect IOSCO's work and I attribute much of this important committee's accomplishments to Michel Prada.

***External relationships and this conference***

Many of the issues of keen interest to IOSCO will be discussed over the next two days. I cannot overstate how important these sessions today and tomorrow are for our organisation. In the current volatile and changing environment they are particularly valuable. We welcome the opportunity to exchange ideas and stimulate discussion with practitioners in the markets. Our principles and standards must be practical and actionable as well as being capable of implementation in the context of different regulatory frameworks. Dialogue and consultation amongst all participants is a critical part of developing efficient and practical solutions.

IOSCO aims to achieve greater engagement with finance industry organisations and market participants, and I thank you for being with us for this conference. On this note I again commend the Technical Committee's



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Organización Internacional de Comisiones de Valores

initiative to enhance its consultation with market stakeholders and especially its structured dialogue with industry.

Of course IOSCO also maintains a dynamic relationship with the other organisations that make up the fabric of the international financial regulatory system: we meet regularly in a Joint Forum with the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors (“the IAIS”), our fellow global standards setters for banking and insurance respectively. We work closely with the World Bank, the IMF and the Financial Stability Forum and IOSCO is a founding member of the Public Interest Oversight Board (PIOB). Representatives of many of these organisations are here today and our dialogue with you is important. It ensures a high level of consistency in financial market regulation at a global level.

We are also pleased with the very close working relationship we maintain with the Self Regulatory Organisations Consultative Committee who helpfully coincide meetings with ours, enabling a robust dialogue.

### ***Implementation of the IOSCO Principles***

Turning to the core objectives of our organisation I am very pleased to note that IOSCO’s adoption of a more operational approach is producing good results. We promote the full implementation of IOSCO’s 30 broad Principles



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in the regulatory framework of every member jurisdiction. Our Principles are aimed at investor protection, fair and efficient markets and financial stability. These are a fundamental building block for achieving our vision of seeing the world's securities markets regulated on sound principles and standards.

***Improve enforcement-related cross-border cooperation***

We are also concerned to see regulators who can effectively enforce securities law through co-operation and information exchange. In today's global capital markets cross-border enforcement cooperation is essential. IOSCO's Memorandum of Understanding among member regulators enables us to share information to counter cross border breaches of securities law. We have made considerable progress against our target of seeing all member regulators signed on to the IOSCO MOU before 2010. IOSCO's Regional Committees, assisted by the General Secretariat, have worked alongside jurisdictions in their regions to encourage the necessary actions to join the IOSCO MOU. Today 63 jurisdictions from around the world have either signed or committed to signing this memorandum.

There has also been strong leadership in the Emerging Markets Committee, and I take this opportunity to acknowledge the excellent contribution of its Chairman, Mr Damodaran, who only recently stepped down from this role.



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The Development Banks, especially the Asian Development Bank merit mention for recent technical assistance to us in implementing the Principles and the IOSCO MOU.

### ***Summing Up our progress***

The IOSCO organisation is in good heart. I am encouraged by what we have achieved over recent years. We are making tremendous strides forward to realise our objectives and achieve our vision. Thanks to the hard work of all our committees and task forces we have reached important milestones against each of strategic objectives in 2007. We still have much work to do and our time-frames are ambitious. We do not, however, move forward alone. We are supported by the international financial community and assisted by a number of multilateral agencies.

### ***The Way Forward***

Looking to the future, what's next for IOSCO?

In a new book on *Global Financial Regulation* Howard Davies and David Green commented:





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*“The international dimension of financial regulation is no longer a marginal add on to the domestic regime,.... it is the central question in financial markets today”.*

The work of IOSCO constitutes one of the critical pieces of this central question. Looking at it another way we are a pivotal piece in the jigsaw of global financial architecture.

We must continue to be nimble in confronting the challenges presented by rapidly changing capital markets and volatile times. We need to foresee developments in the markets and provide appropriate regulatory responses to facilitate global financial activity.

Following these troubled times we may need to reflect on a broader vision, on an even bigger picture. Recent events have indicated that there may be a need to think about the current global financial regulatory architecture. There has been much discussion and debate since the sub-prime credit crisis. The Financial Stability Forum, the IMF, IOSCO itself, national and regional regulators and others are all reflecting on inadequacies in the current structures and systems, and solutions moving forward.

There is, for example, a growing consensus of opinion amongst protagonists making up the international financial regulatory system that



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codes of conduct are emerging as effective tools for ensuring a consistency of approach by global players such as sovereign wealth funds and rating agencies. But if this is indeed a way forward for protecting our investors in the future, it raises interesting questions of compliance. How will investors around the world be assured of compliance with such Codes of Conduct moving forward?

This and similar questions will continue to challenge us. IOSCO remains committed to playing its part in seeking solutions for a better world for investors.

Once again, I thank you all for being here, merci mille fois! And I hope you enjoy the conference.