



International Organization of Securities Commissions  
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## **Welcoming Remarks**

**Before the 34<sup>th</sup> IOSCO Annual Conference**

**Tel Aviv**

**Kathleen L. Casey<sup>1</sup>**

**Chairman,**

**IOSCO Technical Committee**

**and**

**Commissioner,**

**U. S. Securities & Exchange Commission**

**SP004-09**

Dear colleagues, ladies and gentlemen, allow me to join my colleagues in welcoming you to Tel Aviv for IOSCO's 34<sup>th</sup> Annual Conference. It is a pleasure and an honor to address you all this morning.

I would like to first express my warmest thanks and congratulations to our hosts, Chairman Zohar Goshen of the Israel Securities Authority (ISA), and Chairman Saul Bronfeld of the Tel Aviv Stock Exchange, as well as Governor Stanley Fischer of the Bank of Israel, for organizing this wonderful and important event.

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<sup>1</sup> Commissioner, U.S. Securities and Exchange Commission. The U.S. Securities and Exchange Commission, as a matter of policy, disclaims responsibility for any private publications or statements by any of its employees. The views expressed herein are those of the author and do not necessarily reflect the views of the Commission, fellow Commissioners or the staff of the Commission.



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Israel's generosity and hospitality in hosting this conference underscores the ISA's longstanding commitment to IOSCO and its critical mission.

I also would like to thank my IOSCO colleagues – Executive Committee Chair Jane Diplock and Emerging Markets Committee Chairman Guillermo Larrain, as well as our tireless and superlative Secretary General, Greg Tanzer, for their steadfast leadership in supporting and promoting IOSCO's goals.

I would also like to take the opportunity to bid farewell to two other colleagues who have served IOSCO well: IOSCO's Deputy Secretary General Jean-Pierre Cristel, who will be leaving us after many years of dedicated service, and Hubert Reynier, who stepped down from his role as Chairman of Standing Committee 5. They will both be sorely missed.

This is the first conference that I am attending in my capacity as Chairman of IOSCO's Technical Committee, so before I speak about some of the important work being undertaken by the Committee, I would like to briefly pay tribute to several of my predecessors, Chairman Michel Prada, Chairman Christopher Cox and Vice-Chairman Hans Hoogervorst – all of whom have provided critical leadership to the Technical Committee during the most challenging financial crises we have faced in recent history. I am deeply honored to follow in their – very large – footsteps.

Under their leadership, the Technical Committee responded both promptly and deliberately to the crises in key issue areas, laying the foundation for important international consensus around capital market regulatory challenges and setting the stage for new principles and recommendations for more effective regulatory supervision of our ever dynamic and increasingly interdependent global markets.



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As the financial crises has shaken the foundations of our markets, and acutely demonstrated their truly interdependent and connected nature and operation, its resonance has triggered a fundamental rethinking of the adequacy of regulatory supervision at both the national and international levels and reinforced as well as accelerated long-recognized needs for greater cooperation across borders.

International leaders of the G20 have called for coordinated global action in addressing the crisis, and in furtherance of this have established a new Financial Stability Board as a successor to the Financial Stability Forum. In this global response, IOSCO has played and will continue to play a critical role in responding to this call.

Indeed, IOSCO had been actively working on a number of issues that have been in the spotlight during the financial crises, such as the role and increasing reliance by investors and lenders on credit ratings and credit rating agencies.

IOSCO's early work in this area led to the creation of the Code of Conduct first adopted in 2004. The Code, as amended in 2008 as a consequence of the initial subprime crisis, has already been substantially adopted by at least seven rating agencies, including the largest ones. Analysis by IOSCO's CRA Task Force, led by Ethiopis Tafara of the US SEC, has shown that eleven other rating agencies have partially or substantially implemented the original 2004 CRA Code. The Code has further served as the acknowledged international benchmark for the regulation and oversight of credit rating agencies at the national level with both the US and the European Union referencing adherence to its principles for reform.

In many respects, the crisis only made IOSCO's ongoing work on these issues even more urgent, but has also added even more issues to the work agenda. The Technical Committee's May 2008 Subprime Task Force report, examining the underlying causes of the financial crisis and the



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implications for international capital markets, provided recommendations in key areas of concern facing securities regulators, such as issuer transparency and investor due diligence; firm risk management and prudential supervision; valuation and accounting issues; and credit rating agencies.

In the tumultuous period of market turmoil last fall which prompted the G20 Leaders Summit in November, the Technical Committee remained in constant communication and established task forces on several areas of regulatory concern raised in the crises and highlighted by the G20 Leaders – abusive short selling, unregulated entities, and unregulated financial markets and products.

This week the Technical Committee considered updated progress reports from these task forces, and expects the publication of two final reports on short selling and hedge fund regulation and oversight in the coming week.

The work of these task forces has been daunting given the significance and complexity of the issues and the need to respond in a timely, but thoughtful and considered manner.

Yet, it is because IOSCO brings together the world's key experts on securities market regulation that this is possible. And so, under the excellent leadership of Martin Wheatley of the Hong Kong Securities Commission who heads the short selling task force, Lamberto Cardia of Italy's CONSOB and Verena Ross of the UK FSA who co-chair the Task Force on Unregulated Entities, Tony D'Aloisio, of Australia's Securities and Investment Commission and Jean-Pierre Jouyet, of the French AMF, who co-chair the Task Force on Unregulated Financial Markets, international securities regulators have come together to address these core areas of global concern.



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Importantly, this work will inform the Financial Stability Board as it endeavors to identify and address financial system vulnerabilities.

While our investor protection and efficient and fair market mission as securities regulators remains constant and more vital than ever, IOSCO will continue to work collaboratively with its members, and other financial regulators and international bodies to enhance our ability to identify and address systemic risks early across the world's financial markets.

Indeed, investor protection and an investor focus are vital to interests of financial stability on a national and at a global level.

I would also like to note the extraordinary and ongoing work of the Technical Committee's other Task Forces and Standing Committees, which also remain keenly focused on important issues in our markets, such as credit rating agency regulation and oversight, audit firm transparency, ownership and communication; principles for disclosure for asset-backed securities and periodic disclosure by listed entities; transparency of structured finance products, financial product suitability, insolvency and protection of customer assets, and investment managers' due diligence.

Of course, central to the value of IOSCO's good work in all of these areas is their effectiveness. Market participants that fall under the jurisdiction of securities regulators are now all virtually global in their operations. While individually their activity might be local, their collective impact is global. This is true for exchanges, funds, brokers and advisers.

As operations globalize, oversight and supervision require cross border cooperation. Supervisory cooperation is a critical tool in gathering intelligence about risks and trends within institutions and across markets.



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To this end, the Technical Committee has created a Task Force to develop principles for supervisory cooperation similar to the effort undertaken by the Technical Committee in the 1990's to develop principles for enforcement cooperation. I am pleased to co-chair this task force with Jean- Pierre Jouyet of the French AMF, and look forward to the participation of many other IOSCO members in this important work.

As IOSCO and the Technical Committee continue play their central role in fostering international cooperation among securities regulators and setting high quality international standards for capital market regulation, it is necessary to extend our outreach to key market participants and further build our capacity to support the critical economic and analytical functions that must, and do, support our work. I am, therefore, extraordinarily pleased to cite the leadership of our Executive Committee Chair, Jane Diplock who has undertaken initiatives on both of these fronts.

These initiatives are, in my view, indispensable to IOSCO's effectiveness in meeting its goals and taking on the demands and risks of a global market.

To conclude my remarks today, I want to note how pleased I am that Mary Schapiro, the Chairman of the United States Securities and Exchange Commission, will be addressing this conference. Chairman Schapiro, as you know, is no stranger to IOSCO. As an SEC Commissioner, CFTC Chair, and later as the Chairman and CEO of FINRA, she was actively involved in many IOSCO initiatives. Under her leadership, I look forward to continuing the United States Securities and Exchange Commission's long standing support and promotion of IOSCO's mission and goals. Indeed, my chairmanship of the Technical Committee reflects the SEC's deep and continued commitment to IOSCO and its vital role in our global capital markets.



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I would like to thank our hosts once again for their magnificent hospitality, and wish you all a most productive and worthwhile conference.