The international global financial system today faces an immense range of complex challenges. Increasingly we are learning to accept that rapid change is a permanent feature of the environment within which financial markets operate. Whereas in the past, geographical boundaries were important, today issues and solutions involve an ability to reach across geographic borders.

Technology, competition and investor demand all add to the blurring of traditional boundaries. These are important issues for us, but the challenges they represent require cross-border cooperation, an issue that increasingly dominates our thinking these days in ways that could never have been imagined even a few years ago.

Investors are attracted to markets by their depth, quality and integrity. The dynamism of the financial markets depends on investor confidence. That is why those of us involved in the global financial system need to maintain efforts to secure international standards on corporate regulation.

As we move to meet these challenges, we know that we do not have much time. Corporations, entrepreneurs, investors and governments all demand solutions to deal with current as well as emerging issues. As regulators, we need to be aware of developments in the financial markets and then take the lead in designing solutions.

For the International Organisation of Securities Commissions (IOSCO) the significant question is how best to meet these challenges while at the same time promoting safe, transparent, fair and efficient securities markets.

Over the past three years, IOSCO has designed a set of new principles and recommendations to deal with major issues including proposing a Memorandum of Understanding to strengthen cooperation and policy responses in areas as diverse as ongoing disclosure rules for the financial markets, roles of external auditors, and responsibilities of credit rating agencies to name but a few of the issues on our agenda.

Increasingly, convergence and effective implementation of international financial standards across borders is becoming a central consideration to the future direction which we need to take. This is reflected in the recent work of IOSCO, particularly in the setting of new international standards of cooperation, enforcement and information exchange.

For example, in order to ease the investigation and prosecution of international securities fraud, the development of an effective network of administrative and enforcement cooperation among securities regulators is a high priority. This involves giving greater prominence to the IOSCO Multilateral Memorandum Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MoU).
Adopted in May 2002, the IOSCO MoU, represents one of this organisation’s most significant contributions in the areas of regulatory cooperation and effective cross-border enforcement. Currently, around 30 jurisdictions from around the world have already signed onto it.

Recently at the Organisation’s Annual Conference which took place in Colombo, Sri Lanka, in April 2005, IOSCO adopted a timetable by which all member securities regulators from around the world, which are not already signatories to the MoU, will have to meet this benchmark by 1 January 2010. The benefits that will accrue to the global financial system as a result of these decisions cannot be underestimated.

It is anticipated that an expanded network within the IOSCO MoU will deliver significant benefits as the enforcement related activities of members become significantly stronger and as national markets are made more attractive to investors.

In the meantime, IOSCO work continues in a wide range of other areas as well. We take into account a wide range of issues from corporate governance, financial intermediaries, debt markets and anti-crime issues. We are carrying out work in these and other areas while continually exploring the policy implications of better international standards and regulations.

Our work on strengthening capital markets against financial fraud is one such important example of this work and includes initiatives to respond to a number of regulatory issues. It reflects our shared conviction that international financial regulation must ensure the right balance between market facilitation and investor protection.

Likewise, we have also seen increasing levels of convergence in accounting and auditing standards as well as in general corporate governance standards and the processes that cover a wide span from securities markets intermediaries to external auditors, financial analysts and credit rating agencies.

IOSCO is currently developing procedures to encourage cooperation and consultation in the regulatory interpretation and enforcement of International Financial Reporting Standards (IFRS). In this matter, IOSCO is also working closely with the Committee of European Securities Regulators (CESR) which is developing a database of practices in the European Union.

On other matters, IOSCO has also recently published a paper which addresses the wide range of issues associated with the responsibilities of market intermediaries in attempting to establish a compliance function that identifies, assesses, monitors and reports on its compliance with all laws and rules relevant to the jurisdiction it is operating in. The IOSCO paper identifies the principles and specific issues that need to be taken into account. It has been released for consultation with the financial services community, relevant stakeholders, interested groups and the general public.
IOSCO has also recently released a consultation paper on governance principles for collective investment schemes (CIS). At the core of this work is the objective of investor protection, which in the context of this project, aims to prevent misleading, manipulative and fraudulent practices by ensuring that CIS have strong internal governance mechanisms. We are currently in the process of considering the submissions we have received from stakeholders and the international financial community before revising and then finalizing our paper.

It is clear that in a financial world where issues are increasingly complex and interdependent as well as a world of increasing globalization, all countries must develop and adopt an effective regulatory regime for the securities sector in order to protect investors, ensure that markets are fair, efficient and transparent, and to reduce systemic risk.

Through certain key efforts and initiatives, IOSCO is playing its part in meeting these objectives by encouraging international cooperation for securities regulators and as the standard setter for the securities sector. We are confident that with the principles of close and productive dialogue as well as through cooperation with other international financial institutions that we are on the right path.

In carrying out the agenda it has, IOSCO works closely with international bodies which have complementary missions such as the Basle Committee on Banking Supervision, the International Association of Insurance Supervisors, the Financial Stability Forum, the World Bank and the International Monetary Fund.

Finally, it should be noted that IOSCO is currently organizing a high-level Conference to be held in Frankfurt, Germany on 5-6 October 2005. The Conference is aimed at senior executives and market professionals in the global financial services market as well as representatives form other financial organisations. The Conference will be organized around a series of panel discussions on topical and emerging issues in global financial services and will represent an ideal opportunity for the financial services community to exchange views and interact with regulators.

Further information about IOSCO, the forthcoming Conference and the activities the organisation is involved in can be found on their website at www.iosco.org

*The International Organisation of Securities Commissions (IOSCO) is the international forum for cooperation among the world’s securities regulators. One of its primary objectives is the promotion of high standards of regulation in order to maintain just, efficient and sound markets. IOSCO is the international standard setter for the securities sector and includes more than 100 securities regulators.*

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