Introduction
It is my privilege to open this training seminar for the Asia-Pacific Region. The seminar is a very important event for IOSCO in this region and also for the China Securities Regulatory Commission, our generous host for the day. I thank the Commission and Chairman Fulin Shang for their strong commitment to the goals of IOSCO, and for their leadership on the important issues to be discussed at this seminar.

Our topic is: “Cooperation and exchange of information among securities regulators – a way forward to strengthening capital markets against fraud.”

I count this topic among the most pressing on the full agenda of IOSCO in 2006 and beyond. Cross-border cooperation between regulators is of fundamental importance as capital markets rapidly expand and become more integrated worldwide. Today, we can look forward to stimulating and meaningful discussion on this topic.

China
It is a particular pleasure to be meeting in Beijing, a capital city of major importance as nations in the Asia-Pacific region, and throughout the world, move closer together in pursuing economic growth and prosperity. The People’s Republic of China continues to make tremendous progress in developing industry and commerce, in expanding international trade, and in creating competitive and robust capital markets.

We note that today China is the world’s second largest economy. Gross domestic product has increased at an average rate of 9% per annum over the past quarter century, a tremendous achievement in the eyes of all other nations. China represents 4% of the global economy today, and within 20 years, that figure is expected to climb above 10%.

Of course, competitive and robust markets for the investment of capital are extremely important for China’s development and growth, just as they are for every other nation. We note that China now has the eighth largest stock market with a capitalization above US$500 billion and growing. This economy is benefiting from substantial inflows of foreign capital and, at the same time, we see large Chinese corporations taking their place among the biggest business firms in the world.
In the international community, we welcome moves by China to expand business and financial links across the Asia-Pacific region and the world. Speaking for a moment on behalf of my own nation, New Zealand, I note how honoured we have been this month to receive a visit from Premier Wen Jiabao, a tremendous development in relations between China and New Zealand. We are now working diligently on prospects for a free trade agreement between the two countries, with Premier Wen Jiabao having proposed a two-year timeframe for this to be achieved.

As Chairman of the IOSCO Executive Committee, let me emphasise how important we see China now becoming in our international programmes for making capital markets more efficient, fair and transparent. China’s economic growth, and the global expansion of its business and financial links, raises this nation’s capacity to support the growth and stability of capital markets worldwide. Indeed, I would suggest that China’s standing as an economic power will increasingly bring expectations of leadership on issues of critical interest to IOSCO and its other members. In this seminar today, we are seeing the China Securities Regulatory Commission take just such leadership!

We recognise, of course, that China has its own full programme for reforming and developing capital markets. Since 1994, China has had strong commitment to “open, fair and just” stock markets. Within IOSCO, we watch with great interest the steps progressively being taken to reform share structures in listed Chinese companies, to raise standards of financial accounting and corporate governance, and to combat money laundering and other economic crimes. We applaud the progress being made, knowing that these steps will increase confidence among investors in China, both domestic and foreign. Confidence, as we all know, is the foundation for growth and prosperity in any capital markets throughout the world.

The growth and globalization of markets is posing major regulatory challenges for all nations within IOSCO. China is perhaps particularly aware of the challenges because of the relative newness of its markets and the growth now being experienced. I am very confident that participation in IOSCO through the China Securities Regulatory Commission will continue to provide substantial value in helping China meet those challenges. And, as I have emphasized already, Chinese participation and leadership have particular importance to IOSCO, especially in the Asia-Pacific region.

In reflecting on the topic for this training seminar, I am reminded of a Chinese proverb: “Only when all contribute their firewood can they build up a strong fire”. The “fire” we want is an effective and efficient regulatory system for capital markets within nations and between them. And we all have “firewood” to contribute!

**IOSCO’s Progress**

In meeting today, we should be mindful of the need to carry forward the objectives of IOSCO, and to do this in ways most appropriate for the nations that are represented here. Since 1998, the *IOSCO Objectives and Principles of Securities Regulation* (IOSCO Principles) have become the firm cornerstone of regulatory standards and guidelines.
worldwide. Our Organisation has brought forward statements, standards and guidelines for giving effect to those IOSCO Principles in many areas of market activity – financial disclosure, audit independence, the conduct of credit rating agencies and financial intermediaries, and more. In addition, we have taken solid practical steps to promote implementation of the IOSCO Principles in all member jurisdictions, in ways that are appropriate to their legal, economic and political circumstances.

IOSCO is the world leader in setting standards for securities regulation. That status reflects the relevance and effectiveness of the Organisation’s output, and the contribution it now clearly makes in the global financial community. IOSCO is a founding member of the Joint Forum, with the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors. These three bodies have many common interests in maintaining the stability and growth of the international financial system. We see great virtue in a unified approach, whenever possible, to dealing with issues that span our three areas of responsibility.

IOSCO’s progress reflects also its high coverage of capital markets. Indeed, our members include regulatory agencies in more than 100 countries, who together account for over 90% of the world’s markets. New members are welcomed each year. In 2005, the securities regulatory agencies of Armenia, Gibraltar and Montenegro joined, and we look forward to welcoming other new members in the future. Along with such broad membership, the Organisation has developed an extraordinary capacity for building international consensus and agreement on regulatory issues.

Regional Committees
IOSCO Regional Committees play a critical role in this respect. They are unique forums for regulators to meet and exchange views and information. Many problems of market conduct and structure have their clearest expression within geographic regions. Regulators in neighbouring or nearby nations increasingly find they face common issues within and between their markets. They can learn much from each other in arriving at the most effective regulatory responses, within the global framework of IOSCO Principles and standards. In fact, the need for information exchange and cooperation between regulators is increasingly a matter of necessity in the context of the huge growth in cross-border capital flows and in market activity.

In the broadest terms, IOSCO needs its members to work together to strengthen their understanding of how various market practices may reduce investor protection, undermine market fairness and efficiency, and inflate systemic risks. All these are counter to the three principal goals of IOSCO. The shared understandings to which I refer must also, of course, become the basis for common action.

Financial Scandals
Many market practices raise concern across all regions. In recent years, we have all been acutely aware of the collapse of large multinational corporations as a consequence of financial fraud and market impropriety. These scandals have raised fundamental questions about the true effectiveness of securities regulation in any jurisdiction. Enron in
the United States and the Italian multinational Parmalat have had the highest profile of these scandals but there have been many others. There is a rising level of concern worldwide about financial fraud, and that is reflected in today’s seminar.

IOSCO responded to the Parmalat collapse with a thorough investigation of the related issues and the existing regulatory framework in relation to fraud and other wrong-doing. A year ago the IOSCO Technical Committee’s Task Force of Chairmen, set up for this purpose, issued its report “Strengthening Capital Markets Against Financial Fraud”. All of us, I am sure, recognise that report’s importance as a contribution to our common understanding about current regulatory frameworks and the risks of financial wrong-doing.

The Task Force concluded that all issues raised in Parmalat’s collapse and the other scandals have actually been at the heart of securities regulation for many years. They are issues of corporate governance; of auditor independence and effectiveness; and of disclosure and market transparency. The Task Force has added urgency to the need for IOSCO and its individual members to proceed with full implementation of the IOSCO Principles – and in particular with mechanisms for effective cross-border cooperation. To quote from the report: “The increasingly global nature of modern capital markets means that, even if implementation of international regulatory principles and standards were universal, the benefits of these principles and standards could be defeated if financial regulators and law enforcement agencies lack the ability to take effective enforcement action, to share enforced related information and coordinate investigations.”

MOU on cooperation

The 2002 IOSCO Multilateral Memorandum of Understanding on Consultation, Cooperation and Exchange of Information (IOSCO MOU) is the best hope for IOSCO and all members to achieve that level of international regulatory enforcement. I am pleased to note that 30 member regulators have now become full signatories to the IOSCO MOU. Nine more have joined Appendix B of the document, by committing to achieving full signatory status over the next few years.

The IOSCO Annual Conference in April last year adopted a strategy for accelerating progress on the IOSCO MOU. All members are required to become full signatories by 1 January 2010, or to have at least joined Appendix B. For some regulators, substantial work is required to secure the legal authority and organisational capabilities that are required for them to become full signatories. For the IOSCO MOU to be truly effective, national regulators must be sufficiently empowered to act within their home jurisdictions and to exchange information on an equal basis with their peer regulators in other jurisdictions.

The IOSCO vision is for an international network of regulatory cooperation. Each regulator will be able to assist others in a seamless and efficient manner whenever information sharing or enforcement needs arise. This is surely what regulators...
everywhere will require as capital markets grow, and become more complex and more international year by year.

In New Zealand, the Securities Commission has made good use of the ISOCO MOU on a number of occasions. In one high profile case, we have successfully pursued internationally-resident defendants in insider trading proceedings. The case involves sales of shares during 2002 in a stock exchange listed company that was then operating New Zealand’s national rail network. We have pursued former insiders now living in either the United States or Europe, and the ability to gain cooperation from regulators in these jurisdictions has proved very important. Thus far US-based defendants have agreed to pay more than US$3.5 million in compensation, without any admission of liability. Proceedings continue against two other defendants. In New Zealand, this is a landmark case on critical issues of insider trading. There are fundamental implications for investor confidence in the capital markets of this Asia-Pacific nation.

**Concluding Comments**

During 2005, IOSCO surveyed members in our region on their views on international information exchange and cooperation, their experiences to date, and their stance on the IOSCO MOU. Over half of the Asia-Pacific membership responded to the questionnaire. The results are, in part, very encouraging for the IOSCO vision to which I referred a minute ago. This survey definitely helps inform today’s discussion.

I am sure this will be a stimulating and enjoyable seminar. Please use this opportunity to build understanding on common issues and to build resolve on the cooperative actions that will be needed to strengthen markets against financial fraud.

I reiterate my thanks to the China Securities Regulatory Commission for hosting us today. As an economic power and a high growth capital market, China clearly has an important leadership role in the programmes of IOSCO. We can be confident this will be the case. Let us, then, build a strong fire together. //