The world's securities and futures regulators and other members of the international financial community met in Stockholm from 23 to 29 June 2001, on the occasion of the XXVIth Annual Conference of the International Organization of Securities Commissions (IOSCO). The Finansinspektionen was this year’s host and warmly welcomed 650 participants from 97 jurisdictions.

The Conference was officially opened by Mr Bosse Ringholm, Sweden's Minister of Finance. In his remarks, Mr Ringholm highlighted the role of technology in shaping global financial markets. "Technological developments present opportunities and challenges for regulators and market participants alike", observed Mr Ringholm. The increasing integration of securities markets in the information age will require much closer cooperation among regulators, he went on to say, noting that efficient regulation promotes investor confidence and sound market practices.

Baron Alexandre Lamfalussy, the Chairman of the Committee of Wise Men on the Regulation of European Securities Markets, also addressed the Conference, picking up on the challenges faced in Europe for the completion of the internal market in promoting a more efficient legislative process in the securities sector.

The theme of this year's conference, "Securities Markets in the Information Age," provided a platform for regulators and industry participants to address issues inherent in the relationship between technology and the securities markets. In this context IOSCO issued a new report on securities activity on the Internet.

The report presented during the Conference explores the issues raised by the changes and considerable expansion of Internet use since the publication of the 1998 IOSCO Report "Securities Activity on the Internet", and reviews the implementation of the recommendations made three years ago. The report also explores the technological capacity, resilience and security of online brokerage firms, liability for hyperlinks to third party information, liability for maintaining websites during offerings, day trading, Internet discussion sites, and enforcement of securities laws. Moreover,
given the increasing need to obtain information from Internet service providers to investigate and prosecute securities fraud and market abuse on the Internet, this issue will be further explored, consistent with the recommendations in the report.

IOSCO also recently conducted its second International Internet Surf Day, aimed at increasing investor protection and market confidence. Forty-one securities and futures regulators from thirty-four countries participated. During the Surf Day, approximately 300 individuals from the participating authorities visited more than 27,000 sites, totaling approximately 1,200 hours of global participation. Of these sites, more than 2,400 were identified for follow-up review on the basis of possible fraud, market abuse and unauthorised financial activities. About 300 of these sites involved cross-border activity. That review is now under way and could result in further investigation and possible enforcement action.1

In addition to continuing its work on the Internet, IOSCO decided agreed to undertake new areas of activity, including: an assessment of experiences in implementing full cooperation among securities regulators; an evaluation of the role and conduct of securities analysts; a consideration of the application of fair value accounting for all financial instruments; a study of cross-border issues relating to trading halts; and a review of investor education techniques relating to collective investment schemes in Emerging Markets Committee jurisdictions.

Along with these initiatives, IOSCO's cooperation and interaction with a wide range of other international organizations, its international training programs, and the continuing implementation of the Objectives and Principles of Securities Regulation, all contribute to strengthening on a global scale investor protection, market confidence and financial stability.

1. Implementation of Objectives and Principles

In 1998 IOSCO issued the Objectives and Principles of Securities Regulation, setting out 30 principles of securities regulation, based on three objectives: the protection of investors, ensuring that markets are fair, efficient and transparent, and the reduction of systemic risk. Since then, IOSCO has pursued its commitment to the implementation of these Principles and is currently engaged in various self-assessment exercises among its membership. Further work in this area is planned. In addition, IOSCO has worked closely with the International Financial Institutions on their use of the Objectives and Principles and regards this cooperation as a matter of the highest importance, reflecting a shared objective of developing sound capital markets.

2. Securities Settlement Systems

Work by IOSCO and the Committee on Payments and Settlement Systems Joint Task Force resulted in approval for public consultation of eighteen recommendations to improve the infrastructure of domestic securities settlement systems, updating work
done by IOSCO after the disruptions in the securities markets in 1987. These recommendations are intended to specify the minimum standards that such systems should meet. The recommendations address certain issues not covered by the previous principles including: cross border linkages; governance; transparency; efficiency; central counter-parties; regulation and oversight; legal framework; operational reliability; and access. The parent committees expect to approve the request after comments are addressed.

3. Corporate Governance Practices

The Emerging Markets Committee (EMC) approved a Status Report on Corporate Governance Practices, in recognition of the role that corporate governance plays in the efficient functioning of markets. The report consists of information and data obtained from surveys conducted of more than twenty EMC members. The rights of shareholders and other stakeholders, responsibilities of the board, and the role of disclosure and transparency are examined.

4. Accounting and Auditing

IOSCO continues its work with the International Accounting Standards Board on international accounting standards. Among other things, IOSCO intends to survey its members by the end of 2001 regarding their implementation of the IOSCO resolutions, adopted by the IOSCO Presidents’ Committee in May 2000, relating to the use of international accounting standards for cross-border offerings and listings.

In addition to work on accounting standards, the Technical Committee is undertaking a major effort relating to international audit standards, including auditor independence, and expects to continue its interaction with the International Federation of Accountants [IFAC].

5. Secondary Market Issues

The Technical Committee will examine the regulatory authority, practices and procedures related to trading halts affecting multi-listed securities. This work follows on a review of the Technical Committee’s 1992 Report on "Coordination between Cash and Derivative Markets" that noted the increasing linkages of world stock markets through cross listing of securities and development of derivatives products based on cash products located in a different jurisdiction. The work will include compilation of responses to a questionnaire, and consultation with the IOSCO Consultative Committee is contemplated. The project will result in a paper that explores, in this context, cross-border cooperation and information sharing.

The Technical Committee continues to work on the impact and role of market transparency in light of recent developments in market structure. In particular, the Committee is exploring the relationship between transparency and market fragmentation and the extent to which transparency can be employed as a regulatory
tool to counteract perceived negative effects of fragmentation. In order to develop its analysis, the Committee conducted a survey of the economic literature and of the current transparency requirements in Member jurisdictions. The Technical Committee expects to finalize a report at its next meeting.

The Emerging Markets Committee is considering issues and impediments affecting the development of vibrant corporate bond markets in emerging market jurisdictions. The report will provide a description of current trends in development, identify impediments to the development of corporate bond markets and produce a detailed structural framework for establishing strong initial conditions required for a well-functioning corporate bond market in emerging markets.

6. Cooperation and Information Sharing

In 1991, IOSCO released a report on principles for memoranda of understanding between securities regulators. Since then, cooperation and information sharing have assumed even greater importance in the investigation and prosecution of cross-border misconduct. IOSCO will examine the experience of its members in implementing cooperation among regulators.

7. Intermediaries

IOSCO continues to collaborate with the Basel Committee on its work to develop a framework for operational risk. In this connection, Technical Committee members agreed to request that some of their firms complete the Basel Committee’s Quantitative Impact Survey to obtain relevant data.

In accordance with the recommendations in the report from the Multidisciplinary Working Group on Enhanced Disclosure, the Technical Committee will continue to work with the Basel Transparency Group, which is actively considering disclosure standards, as part of pillar III of the proposed new capital accord.

The Emerging Markets Committee has also agreed to work on guidance to emerging market regulators on the supervision of multinational securities firms, whether regulated or unregulated, in instances where their activities are conducted from other jurisdictions.

8. Investment Management

The Technical Committee has endorsed work on two particular concerns in the area of collective investment (or managed investment) schemes ("CIS"). The first relates to the regulatory assessment of operational risks of CIS operators.

The second issue, which has already been the subject of a report in November 2000 by the Emerging Markets Committee, is that of CIS performance advertising where past results are used by operators to promote their schemes to investors. A survey of
CIS performance presentation standards will initially be undertaken with a view to producing a report which complements the EMC work as well as formulating some regulatory principles.

9. Training

Seminars and training programs are essential elements of the implementation of the IOSCO Objectives and Principles of Securities Regulation, and contribute significantly to the strengthening of securities and futures regulation.

IOSCO and its members conduct a wide variety of seminars and training programs throughout the year. These programs take place in all regions of the Organization and benefit from the participation of IOSCO members and the expertise of their staff.

The General Secretariat organized the fourth annual Seminar Training Program of the Organization in Montreal during October. The program, entitled "Securities Regulation in the New Economy," attracted more than 100 participants from some 45 jurisdictions. Key aspects of the program included presentations on retail investing in the new economy, Internet fraud, alternative trading systems, and technological challenges for exchanges.

10. SRO Consultative Committee

The SRO Consultative Committee has indicated its continued commitment to working with the Technical and Emerging Markets Committees on issues of common interest.

11. Conference Panels

Panel discussions were held on a variety of issues of interest to both regulators and practitioners:

- **Impact of the Internet on the Functioning and Regulation of Markets**
- **Market Stability**
- **Market and Information Access for the Investor in the Internet Age**
- **Auditor Independence**
- **Demutualisation and Privatisation of Exchanges**
- **Transparency in the Regulatory Process**

12. Admission of New Members

During the Conference, IOSCO admitted 4 new ordinary members: the State Securities Commission of Vietnam; Republica Srpska Securities Commission; the Securities Inspectorate of Estonia; and the Financial Market Authority of the Slovak
IOSCO has admitted six new affiliate members: the Inter-American Development Bank; the Athens Derivatives Exchange; the Chicago Stock Exchange; the Toronto Stock Exchange, the Singapore Exchange, and the Mutual Fund Dealers Association of Canada. As a result of these new admissions, the membership of IOSCO now stands at 172.

13. Future Conferences

The Organization will hold its next Annual Conference in Istanbul, from 18 to 24 May 2002. The 2003 Conference will be held in Seoul, and Jordan will host the 2004 Conference in 2004.

Nota Bene:

1. For more information, please see the IOSCO press release issued June 27, 2001.