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International Organization of Securities Commissions
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IOSCO Emerging Markets Prepare for Bigger Role in the Global Economy

The emerging market members of the International Organization of Securities Commissions (IOSCO) met in Santiago de Chile this week to continue work aimed at preparing emerging securities markets to play a bigger role in driving growth in the global economy. Fernando Coloma, Chair of the Superintendencia de Valores y Seguros, Chile, chaired the meeting. Masamichi Kono, Chairman of the IOSCO Board, attended the meeting.

During its Annual Conference on 19 – 21 November, members of IOSCO's Emerging Market Committee (EMC) debated its future within IOSCO, while stressing the importance of building regulatory capacity and developing safe and robust securities markets in emerging economies.

The EMC comprises eighty-six members that account for more than 80% of IOSCO's ordinary membership. The EMC members also represent the world's fastest growing economies and include 10 of the G-20 members. Emerging economies are expected to represent a growing portion of IOSCO membership as new members continue to join.

IOSCO is the only international standard setter that has a Committee solely responsible for emerging market issues. This inclusiveness increases IOSCO's effectiveness and positions it to play a bigger part in shaping the global regulatory framework: IOSCO has been allocated an extra seat at the Financial Stability Board Plenary for the Chairman of the EMC. The EMC also has a seat on the IFRS Foundation Monitoring Board.

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EMC Chairman Vedat Akgiray of the Capital Markets Board, Turkey said: *“Since the distribution of global economic wealth is continuously changing in favor of today’s rapidly growing emerging markets, as the future candidates for being developed economies, “proper” securities regulation in today’s emerging markets is tantamount to “proper” regulation of tomorrow’s developed markets. Therefore, emerging markets within IOSCO and the global financial system are much more important than they were in the past.”*

Ranjit Ajit Singh, the Vice Chair of the EMC and Chairman, Securities Commission Malaysia, said: *“Our role as securities regulators in emerging markets has become undeniably more challenging as capital markets in emerging economies grow in size and take on a more significant role in financing global economic growth. The Emerging Markets Committee will therefore need to play an increasingly more significant role within IOSCO and the wider regulatory policy framework to contribute to international efforts in regulatory reform and market stability.”*

IOSCO Foundation

EMC members voiced overwhelming support for the proposal to establish an IOSCO Foundation based on three pillars: research, education and training, and technical assistance. Increased funding of these activities will be of particular benefit to emerging market members, especially at a time of growing demand for market-based finance and constraints.

Delivering these services is aimed at increasing the inclusiveness of IOSCO and assisting members to implement IOSCO Principles and Standards and promote sustainable securities market development.

Chairman Akgiray said: *“IOSCO Foundation has a greater importance for emerging markets, taking into consideration their needs and priorities. In my capacity as Chairman of the EMC, I strongly support the establishment of the IOSCO Foundation without delay.”*

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U.K. Sinha, Chairman of the Securities and Exchange Board of India, said: *“I applaud and welcome the initiative of IOSCO General Secretariat to launch the IOSCO Foundation, which would go a long way in benefitting the development and effective regulation of securities markets across IOSCO membership in general and emerging markets in particular.”*

Added Mr. Coloma of SVS Chile: *“The constitution of the Foundation is an important step in order to strengthen the research applied to the financial market and particularly for assessing the effects of the various regulatory modifications in the performance of the financial market. To obtain this type of evidence would be very important for the discussion about the regulatory changes in emerging countries.”*

Said Paul Muthaura, Acting CEO of the Capital Markets Authority Kenya: *“The Capital Markets Authority Kenya and indeed the whole East African Securities Regulatory Community warmly welcome the launch of the IOSCO Foundation. This initiative is central to mobilizing the critical resources necessary for capacity building, training exposure and research support that are at the core of supporting emerging markets to converge with international standards of the Foundation.”*

The aim is to achieve agreement on the whole package at the IOSCO Board meeting next March in Sydney.

Future Role of the EMC

The EMC discussed the conclusions of a survey of members on the future role of the EMC within IOSCO. It agreed that the EMC Chair, Vice Chair and IOSCO General Secretariat should elaborate further on the findings of the survey, following the meeting in Chile. After further consultation a position paper on the future of the EMC will be presented to the IOSCO Board in March 2013.

A key objective of the Task Force is to establish a mechanism whereby the emerging markets will be better heard and their needs more efficiently met by IOSCO in the future.

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EMC Chairman Akgiray said: *“A stronger role for the EMC in the future is supported by its members, given its growing importance in the global financial markets and international bodies. The new structure and the functions of the EMC in IOSCO after 2014 will be designed in the coming months, with more importance given to market development and capacity building activities.”*

Fifth Annual Survey of the EMC Chairman’s Task Force

The EMC endorsed the conclusions of the Fifth Annual EMC Survey conducted to assess the impact and implications of the crisis on emerging markets, identify relevant regulatory issues and provide recommendations for further work. The topical questions in the survey included financial stability issues in emerging markets, implementation of international standards, supervisory and surveillance capacity, and licensing of supervisors. The EMC said that by end 2012 it would provide the Financial Stability Board with feedback on the survey and a summary of the findings of the past five years, which are important to determine the future shape of EMC work.

Emerging Risks, Barriers to Development and Key Regulatory Priorities for Emerging Markets

EMC members debated what they perceived to be the major emerging risks in their jurisdictions, as part of an IOSCO effort to anticipate systemic risks before they disrupt financial markets.

Also discussed were the impediments to development and regulatory priorities from an emerging market perspective, and the increased role for capital markets in view of the constraints on bank financing. Members also discussed the findings of a survey relating to IOSCO’s policy priorities. Members highlighted the following as major concerns and challenges, among others:

- Capacity building, investor education, financial inclusion and literacy to rebuild trust in capital markets;
- Strengthening Corporate Governance, developing SME financing and corporate bond markets;
- Predominance of bank financing;

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- Complex financial products and institutions;
- Risk management and risk-based supervision,
- Development of corporate bond markets

EMC members also warned of the spillover effects on their markets from developed economies, such as the impact on liquidity of sudden capital withdrawals and the unintended consequences of some global regulatory reforms in the context of their application to emerging markets, and the need to address the expanding regulatory perimeter. More active participation by emerging markets in IOSCO work was seen as essential for detecting emerging risks and removing barriers to market development.

Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information

IOSCO is committed to ensure that those of its members who are yet to become signatories to the Multilateral Memorandum of Understanding do so as quickly as possible. As the pre-eminent instrument for international enforcement cooperation and information sharing among securities commissions, the IOSCO MMoU is essential to ensure effective global regulation and robust securities markets.

To further expand its network for cross-border cooperation, IOSCO approved a resolution in 2012 to encourage compliance by IOSCO members who have not yet signed the MMoU by January 2013. The resolution was designed to assist these non-signatories in overcoming the obstacles they often encounter in securing support from their governments or legislatures for implementing the legal and regulatory changes required for compliance with the MMoU.

To date, 89 IOSCO members have signed the MMoU; another 30 have been invited to be listed on Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions but are committed to becoming signatories. Two other jurisdictions have not applied to become signatories, both of them EMC members.

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Public Panels

The EMC's Annual public Conference on Wednesday will focus on some key issues of growing importance to emerging markets, namely:

- Corporate governance
- SME Financing
- Adoption of IFRS
- Identification of the major securities markets related risks in emerging markets
- Issues and challenges on regional integration of capital markets

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NOTES FOR EDITORS

1. IOSCO, the leading international policy forum for securities regulators, is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr. Masamichi Kono, Vice Commissioner for International Affairs at the Financial Services Agency of Japan (JFSA), is the Chairman of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan, Portugal, Quebec, Romania, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, Turkey, United Kingdom and the United States.
3. The Emerging Markets Committee is a specialized working group established by IOSCO's Executive Committee, representing the world's emerging financial markets. Mr. Vedat Akgiray, Chairman of the Capital Markets Board of Turkey, is the Chairman of the EMC. EMC endeavors to promote the development and improvement in efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programs for the staff of members and facilitating exchange of information and transfer of technology and expertise.
4. IOSCO aims through its permanent structures:
 - to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
 - to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
 - to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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