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International Organization of Securities Commissions
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Kuala Lumpur, 21 February 2014

IOSCO Focuses on Deeper Markets, Stronger Regulatory Capacity to Enhance Emerging Market Resilience

The Board of the International Organization of Securities Committees (IOSCO) met in Kuala Lumpur this week to drive its work on key issues facing global financial markets and securities regulators. Malaysian Prime Minister Najib Razak, who delivered a special address at the IOSCO Board dinner, emphasized the key role IOSCO plays in shaping long term architecture of global capital markets.

The meeting intensified IOSCO's commitment to regulators in growth and emerging markets in building resilient capital markets to withstand volatility in global markets while supporting sustained economic growth.

The Board agreed to measures that deliver on its commitments to the G20/FSB reform priorities and to focus on supporting market based financing as a driver of economic growth.

The Board made progress on organizational and cooperation initiatives designed to ensure that IOSCO has the funding, organizational framework and outlook needed to anticipate and respond to issues in emerging and advanced securities markets through to 2020.

Greg Medcraft, the Chair of the IOSCO Board, said:

“This meeting reinforced IOSCO's role as the key global reference point for securities regulators, industry and policy makers in supporting the accelerating importance of market-based finance.

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Our approach has four dimensions:

- *Delivering on the G20 reform agenda*
- *Deepening capacity building in growth and emerging markets*
- *Defining the regulatory priorities and*
- *Developing standards and principles to support growing role market based finance will play in financing economic growth on an ongoing basis.*

The meeting highlighted how the co-operation and engagement which are at the core of IOSCO will drive these outcomes.”

Growth and emerging markets

Issues pertaining to emerging markets were deliberated extensively by the IOSCO Board, who heard from an international panel of key emerging market investors and experts from international organizations on current risks in emerging markets and their implications. The deliberations further built on discussions held by the IOSCO's Growth and Emerging Market (GEM) Steering Committee.

The GEM Steering Committee of leading emerging market regulators reaffirmed its commitment to strengthening the resilience of emerging markets by strengthening institutional structures; adopting a more forward-looking and pro-active approach in risk identification; and building regulatory capacity, including in the area of supervision and enforcement.

Ranjit Ajit Singh, the IOSCO Board vice Chair and the GEM Committee Chair said:

“It is encouraging that key global stakeholders have positive views on the overall outlook for emerging markets. As the world shifts towards more market-based financing, the significance of emerging markets will grow, along with potential opportunities for capital-raising and investment in their economies.”

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“Investors are increasingly recognizing sustained efforts at enhancing market structures, operational efficiencies and institutional development, and at strengthening fundamentals. These efforts promote confidence and lead to more stable long term capital flows,” said Ranjit Ajit Singh.

Ranjit Ajit Singh said: *“Emerging markets must remain vigilant to current market pressures, and continue to focus on ensuring strong investor protection and proper governance and market conduct. In this regard, strong regulatory frameworks which meet international standards and principles are essential to the sustainable growth of emerging capital markets.”*

Policy work streams

The Board made progress on a number of initiatives to enhance the functioning of securities markets globally. The discussion highlighted IOSCO's role as a standard setter – and the benefits of co-operation and engagement with its members and industry.

On the G20 reform agenda, the meeting progressed work streams on ending too-big-to-fail, shadow banking and building resilient OTC derivatives markets. It also heard updates on IOSCO's work on cross border regulation and fostering long term investment – both key G20 priorities.

“IOSCO's work here underscores the key role we are playing in supporting the G20 during 2014 in completing the job on global financial regulatory reform,” Chairman Greg Medcraft said.

Its work on long-term investment will be carried forward by a new ***Task Force on Long Term Finance***. This body will examine the impediments to long-term financing through capital markets and consider measures regulators can pursue to encourage its development. It is co-chaired by Howard Wetston and Ranjit Ajit Singh, the Vice Chairs of the IOSCO Board.

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“IOSCO's work on long term investment will highlight the role securities regulators and the markets we regulate play in supporting growth in our economies,” Vice Chair Howard Wetston said.

The Board also discussed a number of significant and emerging issues in the markets IOSCO members regulate – including crowd funding, cyber risk and resilience, liquidity in corporate bond markets, audit quality, approaches to deterrence and investor education.

“Each of these initiatives is important in delivering on our objectives of confident and informed investors, fair and efficient markets and mitigating systemic risks. The quality of audit contributes to the quality of information investors receive about their investments. Our work on crowd funding will grapple with the difficult balance regulation needs to strike between supporting innovation and ensuring investors understand the risks they face when investing in growth businesses. Our work on cyber risk is about cooperating to build resilience to cyber-attacks in the markets we regulate and mitigating systemic risk and protecting investors,” Chairman Medcraft said.

Cooperation and Engagement

The Board heard an update on the GEM Committee’s priorities for capacity building. In a recent survey, GEM Committee members identified the top priorities for capacity building as: risk-based supervision, investigating market manipulation and insider trading, emerging risks in securities commissions, investor education and investor surveillance. The Board asked the General Secretariat to prepare a three-year Capacity Building Work Plan for the next Board meeting in June based on these priorities and to suggest the resources needed to carry them out.

The Board also approved the next stage in its strategic planning work. This work seeks to set IOSCO’s objectives through to 2020. IOSCO will ask for feedback from its members and stakeholders, including industry, governments and academia, on IOSCO’s focus through the period to 2020.

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The Board discussed possible enhancements to the IOSCO *Multilateral Memorandum of Understanding* (MMoU), the instrument used by securities regulators to combat cross-border financial services misconduct. The enhancements are aimed at strengthening the framework the MMoU provides for the cooperation and exchange of information among IOSCO members.

The Board approved the membership application of the Palestine Capital Market Authority, which was accepted earlier in the meeting to become the 101st signatory to the MMoU. Signing the MMoU is a precondition for ordinary IOSCO membership, as it specifies the requirements for the exchange of information, and ensures that no domestic banking secrecy, blocking law or regulation prevents the provision of enforcement information among securities regulators.

The Board also discussed findings from a survey on IOSCO members' recent experience with international secondments. The survey findings will inform the design of an IOSCO secondment register that will support the exchange of experts among securities commissions around the world.

NOTES FOR EDITORS

1. IOSCO is the leading international policy forum for securities regulators and 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 more than 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 Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair 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, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, United Kingdom and the United States.

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3. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75 per cent of the IOSCO membership. Mr. Ranjit Ajit Singh, Chairman, Securities Commission, Malaysia, and Vice Chair of the IOSCO Board, is the Chair of the GEM. The Committee endeavours to promote the development and greater efficiency of emerging securities and futures markets by establishing principles and minimum standards, providing training programs and technical assistance for members and facilitating the 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. OSCO, the leading international policy forum for securities regulators, is recognized as the global standard setter for securities regulation

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