



International Organization of Securities Commissions
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6 November 2009

IOSCO Emerging Markets Committee Conference

Bucharest,

6 November 2009

Opening Speech

Jane Diplock

Chairman,

IOSCO Executive Committee

and

Chairman,

New Zealand Securities Commission

SP010-09

Distinguished Guests, Ladies and Gentlemen

Dear Deputy Governor we are honoured with your presence. It's a pleasure to be back in Bucharest and I'd like to congratulate the National Securities Commission of Romania on its 15th anniversary.¹

¹ The NSC of Romania was established in October 1994 as an independent administrative authority subordinated to the Romanian Parliament (Source: Profile contributed by Emilia Ciucan for Complanet)



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I also thank Gabriela Anghelache and her colleagues for their splendid hospitality, we have been treated to marvelous entertainment in wonderful palaces, and commend the Commission on the timeliness of this conference.

We meet at a time of changing dynamics between emerging and established markets.

The global financial crisis hit all our economies and the costs have been severe. Almost everywhere we've seen government intervention and emergency measures – liquidity injections, institutions nationalized, government stimulation and private institutions loans, to name a few.

Confidence in capital markets, the financial system and its institutions has been shattered, especially in the developed world. The foundations of securities regulation are under stern review.

Emerging market economies suffered from the sudden drying up of capital inflows and foreign direct investments, rather than from lack of market confidence. On the whole, they proved more resilient, and their regulatory frameworks have been less harshly examined.

We have spent the last year or so identifying our own perspectives on what the crisis has taught us. Now is the time to bring these perspectives into one



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coordinated action-plan. One we all agree to implement in order to reduce the risk of repeat crises.

Emerging market regulators have a crucial role here. Their markets will become increasingly important as the engine for global economic development and growth. IOSCO is plotting its strategic direction for the next five years, and I invite emerging market regulators to contribute to this process.

The IOSCO of the future must incorporate jurisdictions from both established and emerging markets. While the traditional delineation between the two may be becoming less and less relevant, yet there are specific issues and contributions that Emerging Markets can make.

Emerging market jurisdictions constitute about three-quarters of IOSCO's membership. In recognition of their contribution to the global economy and building tomorrow's regulatory framework, IOSCO's Technical Committee – our standard-setting arm – this year drew in the securities regulators of Brazil, China and India. All the regional committees are also represented.

IOSCO faces the challenge of ensuring its core regulatory principles are relevant to a post-crisis world. The crisis has forced us to rethink our role as market regulators in an interconnected, fast-changing world.



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While the crisis sprung from un- and under-regulated market segments and became a credit (rather than market) crisis, the key elements of risk were transmitted through markets. Markets IOSCO members regulate or exempt from regulation.

At our Executive Committee meeting last month, we mandated the taskforce reviewing the *IOSCO Objectives and Principles of Securities Regulation* to formulate a separate, standalone principle dealing with systemic risk.

We have learned that markets will not regulate themselves. This new principle focuses on the need for regulators to identify, assess and mitigate risks and threats from within – and potentially even beyond – current regulatory perimeters.

Reflecting global concerns about financial stability, the new Principle will encourage regulators to keep an eye on entities and infrastructures whose failure may have systemic implications for the wider economy. Deepening our understanding of market developments, their connectedness and the risks they may pose is vital if we market watchdogs want to mitigate risk.

Global implementation of IOSCO's regulatory principles is also critical. The crisis has highlighted how important it is that international financial standards – including the IOSCO Principles – be implemented in all jurisdictions.



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I'm heartened by the commitment of G20 Leaders and others to implementing IOSCO standards in their jurisdictions and submitting implementation to independent, external review.

I believe IOSCO should step up its programme of assisted assessments on implementation of its Principles. This way all jurisdictions can benefit by developing sound capital markets that grow their economies.

The IOSCO Multilateral MOU for cooperation and information exchange across borders has proven very successful.

We expect that by 1 January 2010 almost all member jurisdictions will have either signed on or listed under Appendix B of the IOSCO MMOU. We must build on this success, ensuring we give all jurisdictions technical assistance and encouragement in implementing the MMOU's requirements.

Once all our members share a clear vision of IOSCO's goal and mission going forward, we must examine what structural adjustments and funding we need to progress it.

Wide consultation is critical to our success. We are already seeking feedback on some proposals. Submissions from all members are not only welcome but greatly



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encouraged. Emerging Markets will play a large part in this. Your input will be vital to our success in formulating our new direction 2010 onwards

No decisions will be made until members have been consulted. Everything is up for debate. We are keen to have the best minds in the world focus on our future.

Thank you.