



Report from the Chair of the Emerging Markets Committee (To be renamed the Growth and Emerging Markets Committee)

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The activities of the Emerging Markets Committee (EMC) over the past 12 months can be broken down into the following areas: Issues related to the Financial Stability Board (FSB); IOSCO's new Strategic Direction; the new IOSCO Foundation; and the work of the EMC Task Forces. All these activities highlight the growing role of the EMC within IOSCO.

FSB Related Issues

Published in October 2011, the joint report of the FSB, the International Monetary Fund (IMF) and the World Bank on *Financial Stability Issues of Particular Interest to Emerging Market and Developing Economies* (EMDE Report) focused on five financial stability issues in EMDEs. It made recommendations on policy measures for national authorities in EMDEs to address these issues and on ways that the international community could support these economies in their efforts. The FSB asked IOSCO to report back on progress made to implement these recommendations by end-2012.

At its meeting in February 2012, the then Emerging Markets Committee Advisory Board (the functions of the EMCAB were subsumed by the Board in May 2012) agreed to undertake a mapping exercise of the report's recommendations regarding securities markets. It also decided to analyze the progress made by emerging markets, in order to provide feedback to the FSB. In this context, the EMC used the Chair's Fifth Annual Survey as an instrument to gather data from EMC members.

FSB Study on the Effect of Regulatory Reforms on EMDEs

Another FSB study was carried out to determine the extent to which the agreed regulatory reforms may

have unintended consequences for the EMDEs. To do this, the FSB constituted the EMDE Review Group and circulated a questionnaire among the EMDEs in March 2012. The FSB study on the effect of the regulatory reforms on EMDEs was published in June 2012.

The G20 Leaders welcomed the study in their Los Cabos Summit Declaration (June 2012), and called on the FSB to continue monitoring, analyzing and reporting on the matter. To this end, the FSB Secretariat prepared a Draft Proposal on *Follow-up to the study on the effects of agreed reforms on EMDEs* in September 2012, which sought comments from IOSCO. The IOSCO General Secretariat provided the FSB with a response in October.

New IOSCO Strategic Direction

The EMC constitutes about 75% of IOSCO's ordinary membership and its members represent the world's fastest growing economies (10 out of 20 of the G-20 members). Given the EMC's growing weight within the organization, it actively contributed to IOSCO's work through my participation, as EMC Chair, in the Executive Committee and Technical Committee until May 2012 and then, subsequently, in the IOSCO Board.

In particular, our involvement focused on the development of the new IOSCO Strategic Direction, the future role of the EMC, the fair representation of the EMC in the IOSCO Board and the new IOSCO structure.





As part of the structural reorganization of IOSCO that took place in May 2012, the policy and standard-setting work of the IOSCO Standing Committees and of the EMC Working Groups were merged to create the new IOSCO Policy Committees. Between 2012 and 2014, the Vice Chair of the EMC was to be appointed from among its members who had been Working Group Chairs before the merger. If the Working Group had two co-Chairs, one of them would become EMC Vice Chair.

IOSCO Foundation

During its meeting at the IOSCO Annual Conference in Cape Town in April 2011, the Presidents Committee decided to establish the IOSCO Foundation, in order to raise and apply additional funds to certain key IOSCO activities. Specifically, the IOSCO Foundation is intended to support and finance IOSCO's initiatives in Technical Assistance, Education and Training, and Research (henceforth defined as the *Three Pillar activities*). Increased funding of these activities will benefit IOSCO members, particularly those from emerging markets, and contribute to the development of safe and robust global securities markets.

The EMC members strongly supported the establishment of the proposed IOSCO Foundation at the EMC meeting in Santiago, Chile in November 2012. However, given the importance of this project and its future implications, work to establish the Foundation continues.

EMC Task Forces

EMC Chair's Task Force

The EMC Chair's Task Force (whose membership is open to all EMC members) aims to identify relevant regulatory issues and provide recommendations for futu-

re work. To achieve this goal, the task force has circulated a survey among EMC jurisdictions every year since 2008. The results of the fifth survey were presented on 20 November 2012 during the EMC Plenary Meeting.

EMC Task Force on the Future Role of the EMC

IOSCO decided the EMC would continue to operate during the 2012-2014 transitional period in which IOSCO's organizational structure is to be streamlined and a permanent Board to be established, pursuant to the IOSCO strategic direction. A Task Force was constituted to design the post-2014 role and function of the EMC. Its mandate calls for the Task Force to guide the EMC towards a decision on its future structure, and its role and functions within the organization, while seeking to enhance the inclusiveness of the EMC in all aspects of IOSCO's work.

With these aims, the Task Force circulated a survey and presented a report in the November 2012 EMC meeting.

EMC Task Force on the Financing of SMEs through the Capital Markets

Small and Medium Size Enterprises (SMEs) are important actors in economic growth and transformation, creating positive value for the economy and contributing to sustainable and balanced economic growth, employment and social stability. However, their access to finance is limited, posing a challenge for policy makers. SMEs rarely raise financing through the capital markets due to certain obstacles affecting both the investor and the issuer side. A major challenge for regulators is to ensure adequate investor protection while establishing an effective regulatory framework that promotes SME financing.

To meet this challenge, the EMC set up a Task Force in May 2012 on *Financing of SMEs through the Capital Markets*. The main goal of the Task Force is to highlight regulatory and other challenges facing the SMEs in small-business capital formation, explore the ways in which securities regulators can help to overcome those challenges and develop recommendations.

The mandate was approved in the IOSCO Annual Conference in May 2012. After introducing revisions based on comments from Task Force members, a survey was circulated among IOSCO's ordinary members in August 2012. Responses were received until end 2012. The report will be submitted for approval to the EMC in September 2013.

EMC Workshops

EMC members participated actively in the two workshops held during the November 2012 EMC meeting in Santiago. The topics of the workshops were the development of derivatives markets in emerging markets and development of the surveillance capacity of securities regulators. Additionally, the five public panels at the conference focused on the subjects of corporate governance, SME financing, adoption of International Financial Reporting Standards (IFRS), identification of the major securities markets in emerging markets, and issues and challenges of the regional integration of capital markets. Furthermore, the EMC held an interactive and free-flow session on emerging risks, barriers to development and key regulatory priorities in the EMC securities markets.

Other Relevant Issues

After May 2012 I started to represent the EMC in the Monitoring Board of the IFRS Foundation. The Monitoring Board's main responsibilities are to ensure that the Trustees of the IFRS Foundation continue to discharge their duties as defined by the IFRS Foundation Constitution, and to approve the appointment or reappointment of Trustees.

Additionally, I have also participated in the Decision Making Group of the Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (MMoU), which decides on the applications to become a MMoU signatory.

Progress made by the EMC members in meeting the requirements of the IOSCO MMoU

In 2010, IOSCO approved a resolution to ensure that all IOSCO member jurisdictions became sig-

natories to the MMoU by January 2013. Fifty-four EMC members had signed the MMoU by the end of 2012. Another 24 EMC jurisdictions were 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. The 1 January 2013 deadline has passed, and I am greatly impressed by the commitment and the efforts of the EMC members to meet this important goal.

Training programs organized for emerging markets members

The following is a list of seminars and training programs organized for EMC members between May 2012 and April 2013. A more detailed description of these programs can be found in this report's Chapter on IOSCO Education and Training Programs.

- > The fourth Joint Investor Education Conference of the International Forum for Investor Education (IFIE) and IOSCO, 20-22 May 2012 in Seoul
- > The IFSB-IOSCO Roundtable on *Disclosure Requirements for Islamic Capital Market Products*, 18 September 2012 in Kuala Lumpur, Malaysia. Hosted by the Securities Commission of Malaysia on the margins of the Global Islamic Finance Forum 2012, the roundtable formed part of a joint project undertaken by the Islamic Financial Services Board (IFSB) and IOSCO to explore and study the implications of using conventional minimum disclosure requirements for Islamic capital market products.
- > The annual IOSCO Seminar Training Program (STP) on *Corporate Governance Issues Related to Securities Firms and Sanctions for Market Abuse*, 23-26 October 2012 in Madrid, Spain.
- > The 5th edition of the IOSCO SROCC Training Seminar on IOSCO Principles relating to Regulators, Secondary Markets and Market Intermediaries, 7 - 9 November 2012 in Istanbul.
- > The annual FSI/IOSCO Seminar on Trading Book Issues and Market Infrastructure, 28-30 November 2012 in Basel, Switzerland.
- > The 2012 Mobile Seminar Training Program (STP) on *Investor Education, Corporate Governance and Sanctions for Market Abuse, and Islamic Finance*, 10-12 December 2012 in Dubai.