



Report from the Chair of the Africa/Middle-East Regional Committee

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This report highlights the activities and the developments in the jurisdictions of the 22-member countries that make up the Africa/Middle-East Regional Committee (AMERC). It also examines the region's achievements and the challenges it faces meeting international best practices and complying with the IOSCO Principles and Objectives of Securities Regulations.

As part of our commitment to the IOSCO ideals, the region participated in all the IOSCO programs during the period covered in this annual report and made contributions to the work of its committees and task forces. For us, regional meetings remained an essential tool for building bridges across our markets and for reinforcing regional cooperation.

The meetings included:

- > The 29th IOSCO-AMERC Annual Meeting in Beijing, China, 15 May 2012
- > Emerging Markets Conference in Santiago de Chile, 19 – 21 November 2012
- > IOSCO Board Meeting in Madrid, Spain, 3 – 4 October 2012
- > The 2012 AMERC Seminar Training Program in Dubai, 10 – 12 December 2012
- > The 30th AMERC Annual Conference and Meeting, Dubai, 17 – 19 February 2013
- > IOSCO Board Meeting, Sydney, Australia, 21 – 22 March 2013

AMERC Economic Environment

The economies of the AMERC member countries continued to recover, following the global economic crisis in 2009 and the Arab uprisings in 2010 and 2011. Economic indicators showed some improvements, with a positive outlook for 2012.

According to the IMF Outlook for Sub-Saharan Africa, output grew by 5 per cent in this region, except in South Africa, which was affected by slow demand from Europe and the drought-stricken Sahel region.

Improved economic policies, higher foreign exchange reserves, lower government debt, and rising levels of investment and consumption are expected to be key drivers of growth in Sub-Saharan Africa in the near future.

For North Africa and the Middle East, the economic outlook is mixed. While most of the region's oil-exporting countries are growing at a healthy pace, importers continue to face modest prospects, while domestic disruptions constrain growth in some countries.

THE 29TH AMERC ANNUAL MEETING BEIJING, CHINA 15 MAY 2012

Le Conseil Déontologique des Valeurs Mobilières (CDVM) of Morocco and the Financial Services Board of South Africa were selected as the additional AMERC representatives on the IOSCO Board for two-year terms.

At the meeting, discussions focused on how to improve procedures within the new IOSCO structure to ensure that emerging markets-- which represent 75% of the IOSCO membership-- take a more active part in decision making.



Members also observed that:

- > There were several non-member jurisdictions within the region that should be encouraged to become IOSCO signatories, e.g., Namibia, Rwanda, Cameroon, Zimbabwe, Botswana, Qatar amongst others.

We also noted that:

- > Multilateral organizations such as the World Bank and the International Monetary Fund had performed credibly in providing financial and technical assistance to member and non-member jurisdictions within the region.
- > With regards to the integration of markets, it was observed that regionalization of markets was key and members should consider analyzing the risk affecting their markets.
- > World economic growth had been driven by emerging markets; thus members must consi-

der the role of the Emerging Market Committee (EMC) going forward.

We alerted members to AMERC’s low visibility in the IOSCO agenda and initiatives, and stressed that the region was important enough for members to be actively involved in relevant initiatives.

30TH AMERC ANNUAL MEETING AND CONFERENCE, DUBAI, 17 – 19 FEBRUARY 2013

The region held its 30th annual meeting and conference in Dubai, the United Arab Emirates, from 17 – 19 February 2013. The conference, based on the theme *Risk Based Supervision: A Global Agenda*, attracted the participation of about 40 delegates from 13 jurisdictions. It also benefited from the attendance of the Capital Markets Authority, CMA, Kuwait, as an observer to the meeting. Overall, the event was highly successful.



Cross section of participants at the 30th AMERC Meeting in Dubai

As Chair, I applauded in my opening speech the Dubai Financial Services Authority (DFSA) as the host of the annual meeting and conference, and acknowledged the excellent amenities it extended to all delegates during the two events.

The conference also featured a panel session that debated the *Challenges to Introducing Risk- Based Supervision*. Presentations were based on country experiences.

The panel, which was moderated by the chief executive officer of Capital Markets Authority (CMA) Uganda, Mr. Japheth Katto, featured participants from CDVM, Morocco; DFSA, Dubai; and SEC Nigeria.

The panelists acknowledged that risk-based supervision (RBS) is not a one-cap-fits-all solution. The peculiarities of each market should determine the approach that each one takes to RBS. Bryan Stirewalt (DFSA) emphasized that information technology alone cannot provide an answer to the challenges of RBS. Rather it offers only a clue. Mr. Bala Usman (SEC Nigeria) explained that RBS recognizes the diversity of markets; the principles of RBS merely provide guidance to enable each market to discover its own way forward. He urged flexibility in implementation, and noted the need for regulators to coordinate their efforts, adding that the global financial market cannot afford another financial failure. The panelists agreed that in applying the RBS approach to regulation, regulators should have adequate knowledge of the business in their jurisdictions, the flow of capital at global and regional levels, and the interconnectivity among different markets since what occurs in one jurisdiction could have a domino effect on others.

In discussing risk as it affects the various jurisdictions, the following were identified:

- > Concentration risk: a situation in which a few firms control market activity.
- > Reputational risks: where an entity's image and ability to conduct its duties and functions are in doubt.
- > Compliance risk: inability of firms to adhere to reporting standards and corporate governance issues, and where developed markets may not comply with the standards they expect emerging markets to meet.
- > Market manipulation risk: insider trading, and ethics in private companies.

- > Capital Adequacy risk for intermediaries: operational risks not matching financial capability.
- > Challenges dealing with information technology and infrastructure, automated trading, and mixed-manual, leading to an inability to adequately detect manipulation.
- > Regional integration, though participants have yet to conceptualize the risks associated with a regional market.
- > Legislative turnaround time in legal reform. Legal gaps and a plethora of new laws and rules.
- > Inadequate capacity in terms of human capital and infrastructure; inadequate expertise on capital market products and innovations exposes regulators to the risk of ineffective decision making.
- > Regulatory risk occasioned by measures to protect the market but opposed by political class.

IOSCO BOARD MEETING HELD IN SYDNEY, AUSTRALIA, 21 - 22 MARCH 2013

The meeting deliberated on several issues of particular interest to AMERC; *the IOSCO Foundation, the International Secondment Register, Board Composition Post 2014, Future Work of the EMC, Communication Strategy, Board Working Modalities, Consideration of New Workstreams, Application for Membership and Transition of the IOSCO Board Leadership*.

During the meeting, I re-echoed the region's concern regarding its representation on the Board as conveyed in a letter dated 27 February 2013, expressing its demand for an equitable representation on the new IOSCO Board. This under-representation is evidenced by the limited number of members from the AMERC Region on the Board.

SEMINAR TRAINING PROGRAM (STP)

In collaboration with IOSCO and the International Islamic Financial Market (IIFM), the Securities and Commodities Authority (SCA) hosted a two-day Seminar Training Program (STP) in Dubai, from 10 – 12 December 2012. (See the chapter on IOSCO Education and Training for more information).

RESPONSE TO SURVEY QUESTIONNAIRES

AMERC members have continued to increase their participation in IOSCO Surveys. Indeed, the Africa/Middle



East Regional Committee emerged the *best in class* in responding to the EMC Chairman's Task Force Fifth Survey. The report dated 14 November 2012 showed that out of the four Regional Committees of IOSCO, AMERC jurisdictions provided 36% of the respondents. The survey sought an overview of the new supervisory regulatory issues facing member jurisdictions.

MEMBERSHIP DRIVE

The region's membership increased from 22 to 25 following Board approval at its meeting in Sydney, Australia of the following affiliate membership applicants:

- > The Nigerian Stock Exchange (NSE)
- > Johannesburg Stock Exchange (JSE)
- > Union of Arab Securities Authorities (UASA)

Approval was given to one of our former members, the Israel Securities Authority, ISA, to switch its membership to the European Regional Committee.

COMMUNICATION ENHANCEMENT

We continue to ensure information sharing in order to improve benchmarking and increase the cross-border exchange of learning experiences. The AMERC Quarterly bulletin, therefore, remained a key vehicle for this purpose.

COMPLIANCE WITH IOSCO Multilateral Memorandum of Understanding (MOU)

Four jurisdictions in the region became Appendix A signatories to the IOSCO MMoU during the period under review, leaving only four members on Appendix B, the list of members who have formally expressed their commitment to seek the legislative and administrative changes necessary for achieving MMoU compliance. By April 2013, seventeen (17) members from the region were signatories.

FUTURE PLANNED ACTIVITIES

In order to further build capacity and strengthen enforcement activities the Financial Services Commission



(FSC), Mauritius was asked to host the Emerging Markets Bond Markets Conference Outreach for AMERC from 1 – 5 July 2013.

We will continue to encourage members who are yet to become signatories to the MMoU to commit to a speedy conclusion of the process during the coming year. The region will continue to drive education and awareness of new products, particularly the introduction of Islamic products, to further boost financial inclusion and wealth creation.

Raising the visibility of AMERC will continue to be my priority. Consequently, our members will be encouraged to play more active roles and seek responsibilities within IOSCO, particularly in the Emerging Market Committee (EMC).

Non-member jurisdictions within the region will be encouraged to seek membership. Our focus will be on Namibia, Rwanda, Cameroon, Zimbabwe, Botswana and Qatar, among others. We believe the IOSCO Foundation will be of great assistance in this direction.

Our Challenges

While our challenges may appear similar to those facing other emerging markets, our specific challenges include:

- > Developing SME financing
- > Capacity Building
- > Risk Management and implementation of risk-based supervision
- > Sustained development of corporate bond markets
- > Dominant role of short-term financing
- > Public Awareness/Financial inclusion, and
- > Regional integration of our capital markets.

We will leverage on the IOSCO Foundation, the goodwill of the IOSCO General Secretariat and the equity and fairness principles as practiced by IOSCO to overcome our challenges and complete our planned activities for 2013.



Report from the Chair of the Asia-Pacific Regional Committee (APRC)

Mr. U. K. Sinha

- > Chair of the Asia Pacific Regional Committee
Chairman, Securities and Exchange Board of India

The Asia-Pacific region is the world's fastest growing economy. The average growth rate of its real gross domestic product (GDP) was higher in 2012 than the world average. In coming years, the region is expected to continue to be a major contributor to the world economy. In terms of market capitalization, the Asia-Pacific region accounts for approximately 30% of the global market capitalization.

The real GDP of the Asia-Pacific region grew 5.3 per cent in 2012 and is projected to grow 5.7 per cent in 2013 and 6.0 per cent in 2014, according to the International Monetary Fund (World Economic Outlook). Asia's economic performance was subdued during 2012, but growth is set to pick up gradually during 2013 on the back of strengthening external demand and continued robust domestic demand. The key medium-term priority for the Asia-Pacific jurisdictions is to sustain economic growth and spread its benefits among a larger portion of the population.

APRC Activities during 2012

The Asia-Pacific Regional Committee comprises 25 members. During the year 2012, APRC held two meetings. The first meeting took place during the 37th IOSCO Annual Conference in Beijing, China in May 2012. The next meeting was held in Bangkok, Thailand on 29 November 2012.

APRC Meeting, Beijing, May 2012

During the Beijing meeting, the APRC members discussed the current developments in the financial sector and their impact on the Asia-Pacific region. APRC members shared their views and also highlighted the

need to engage with one another in a constructive and fruitful manner on common causes. Participants in the meeting stressed the importance of the IOSCO Multilateral Memorandum of Understanding, and the IOSCO General Secretariat provided an update on the progress status of the non-signatories to the MMoU in the Asia-Pacific jurisdictions. An update also was provided by the Assessment Committee on its objectives, responsibilities, programs and forward work plans.

As of 31 March 2013, 17 out of 25 members of the regional committee were signatories to the IOSCO MMoU as compared to 16 the previous year. Labuan Financial Services Authority became a full signatory during the Annual Conference in Beijing. As APRC Chair, I encouraged the remaining eight member jurisdictions to sign the MMoU, before the impending deadline. During Nov 2012, I wrote to each of the eight jurisdictions to indicate the latest status of their application and to offer all assistance and support that might be required in this regard.

APRC Meeting, Bangkok, Nov 2012

The APRC events in Bangkok kicked off with an APRC Enforcement Directors' (ED) meeting on 28 November 2012. The initiative to schedule the ED meeting was well received by the APRC members and was attended by senior enforcement officers of 15 jurisdictions of the Asia-Pacific region. The meeting underscored the need to further enhance mutual cooperation and infor-



mation sharing on enforcement related issues within the region. The takeaways from the meeting were circulated to all the members for mutual benefit.

The APRC meeting was held on 29 November 2012 in Bangkok. The IOSCO Secretariat provided an update on the G20 and FSB workstreams and the IOSCO Board meeting of October 2012. It also highlighted the role and importance of the IOSCO Foundation and the IOSCO MMoU. During the meeting, the securities regulators from Australia, Japan, Hong Kong and India shared their countries' experience in regulating the area of algorithmic/ high frequency trading. The discussion emphasized the key challenges facing jurisdictions in the Asia-Pacific region as a result of this rapidly evolving type of trading. Potential ways of dealing with these challenges were also discussed.

During this meeting, I proposed an initiative to develop a database for sharing information on enforcement actions. This Central Enforcement Database will enable member jurisdictions to determine preventive or remedial action required to be taken by other APRC members, especially in cases of possible cross-border activities by an alleged offender. It also would help to understand the recent trends in fraudulent cases unearthed in one jurisdiction that could be possibly sur-

face in others. The database has since been developed with the help of the IOSCO General Secretariat and was expected to be available for use by all APRC members in mid-2013.

In the Bangkok meeting, I introduced the APRC Digest as one of the initiatives for information sharing on the trends in securities markets and recent regulatory developments in the region. The objective of the Digest, which is released on a quarterly basis, is to bring together such regional information in one place for easy reference. Three editions of the APRC Digest have been released during my tenure as APRC Chair.

Specific regional issues faced by APRC Members

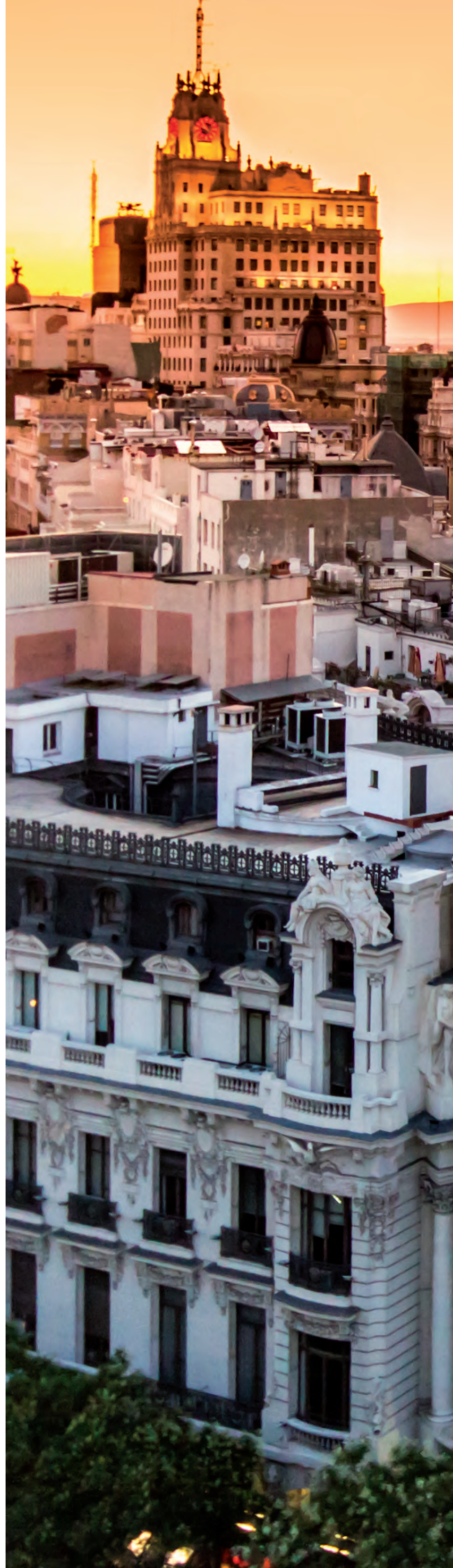
- > In order to bring into focus the specific issues faced by the APRC jurisdictions, the APRC meeting in Bangkok was preceded by a roundtable on Identifying and addressing emerging risks in the securities market in the APRC region; particularly in the context of global development in the financial markets. In addition to securities regulators from the

region, the roundtable was attended by four senior executives drawn from different areas of the private financial services industry of the Asia-Pacific region, who shared their valuable perspectives.

- > The APRC meeting was followed by a Public Seminar on 30 November 2012 where regulators and market participants met to share their perspectives on the important common issues facing the markets in the APRC region. The first panel discussion was on Opportunities and challenges for SME financing through capital markets during which the panelists discussed the opportunities, challenges and options for SME financing through the capital markets. The second panel discussion focused on Capitalizing on regional growth prospects: enlarging opportunities for asset management companies. The panelists discussed the opportunities and challenges for asset management companies in cross-border investment activities from the viewpoints of fund managers and financial regulators.
- > An example of positive collective action aimed at protecting common interests was the coordinated response by APRC members to the Consultation paper issued by the European Securities and Market Authority (ESMA) on Draft Guidelines on the Supervisory Cooperation Arrangements required by the Directive on Alternative Investment Fund Managers. APRC outlined the common areas of concern for its members.

Future Planned Activities

- > APRC members will continue to engage each other on issues of common concern to securities market regulators in the Asia-Pacific region, and to present a common voice while dealing with other global bodies on issues arising from the evolving regulatory landscape.
- > The Central Enforcement Database has been developed by the APRC Secretariat with the help of the IOSCO Secretariat. The launch of the central enforcement database will enable APRC members to share enforcement related information.







Report of the Chair of the European Regional Committee

Carlos Tavares

> Chair of the European Regional Committee
Chair, Comissão do Mercado de Valores Mobiliários,
Portugal

The IOSCO European Regional Committee (ERC) is composed of 50 IOSCO members from the European region (49 ordinary members and one associate member). ERC members discuss topics of common interest and consider leading issues under discussion in the main IOSCO Committees. These activities are facilitated by the participation of the ERC chair in the IOSCO Board meetings.

On the occasion of the IOSCO Annual Conference in Beijing in May 2012, I was reelected Chairman of the ERC. Mr. Jean-Paul Servais of the Financial Services and Markets Authority, Belgium and Ms. Claudia Catalina Sava of the Romanian National Securities Commission, Romania were elected as ERC representatives to the IOSCO Board.

In 2012 two changes occurred in the ERC membership: the Israel Securities Authority moved from observer status to full-member status in the regional committee; and the European Securities and Markets Authority (ESMA) joined the ERC as an IOSCO associate member. Moreover, the Financial and Capital Market Commission, Latvia was admitted in early 2013 as an IOSCO ordinary member, and consequently became a member of the ERC.

ERC's activities (May 2012 – April 2013), its concerns and challenges in the year ahead

During the period in question, the ERC held three meetings: in Beijing (15 May 2012), in Paris (25 September 2012) and in Lisbon (7 March 2013).

In the course of those meetings, and as per current practice, ERC members received information on key issues discussed by the IOSCO Board. The information

focused on the projects and activities of IOSCO's policy committees and task forces, in accordance with their respective mandates. ERC members also were briefed on IOSCO's involvement in other international *fora*, namely the Financial Stability Board and the G-20. These issues and activities were included as an ERC Agenda item for due consideration and discussion by ERC members in advance of Board meetings, allowing for committee input where deemed appropriate.

On the IOSCO Strategic Direction Review 2010-2015, the ERC provided a collaborative written submission to IOSCO's internal consultations on membership and voting rights issues. It also engaged in discussions regarding the decision-making process of IOSCO bodies, the Board composition and its working modalities. The ERC regularly discussed and made presentations on the proposed IOSCO Foundation, which is expected to finance IOSCO activities in the areas of technical assistance, education and training, and research on global securities market issues.

In addition, the ERC debated and produced a discussion paper on its role in connection with the Strategic Review. The paper set out the main goals and concerns for the ERC within the context of IOSCO's new organizational structure. Particular emphasis was given to strengthening the ERC's say in policy and implementation issues.

Regarding the implementation of the IOSCO Multilateral Memorandum of Understanding (MMoU),

the ERC continued to provide regular updates and undertake initiatives, including an outreach to those ERC members who had not yet become MMoU signatories (see page 29 for more information on the MMoU). A formal request was made to non-signatory members to provide periodic progress reports on the status and progress of their MMoU application ahead of the 2013 deadline.

The ERC also was briefed on the MMoU 2012 Resolution that is aimed at achieving full implementation of the MMoU by the IOSCO membership.

At the end of March 2013, 42 of the 49 ERC members eligible to sign the MMoU had become full signatories, while four members were listed on Appendix B, the list of members who lack the legal authority to fully comply with the MMoU provisions but who are committed to becoming signatories. By early May 2013 one member had been invited to list on Appendix B but had not yet formally committed to seeking the legal authority necessary to enable full signature; another member's MMoU application was under review by IOSCO.

Throughout the above mentioned period, members continued to discuss topics of particular relevance to the European region. Discussions focused mainly on emerging risks and trends in members' financial markets, in addition to the regular exchange of information on relevant regulatory developments in the various jurisdictions. In connection with these activities, several speakers (both external and internal) were invited to make presentations, followed by a discussion with committee members.

Of the topics discussed, the following are particularly noteworthy:

- > The supervisors' role in enhancing transparency and simplicity when regulating and supervising structured products,
- > Conflicts of interest in the selling of complex products, and
- > High frequency trading.

Committee members continued to be regularly informed of the activities of the European Securities and Markets Authority (ESMA) and of the latest developments with regard to EU proposals to strengthen the European financial supervisory framework. Key topics focused on the Alternative Investment Fund Managers Directive, the preparation of Regulatory Technical Standards in connection with the European Market Infrastructure Regulation (EMIR) and Package Retail Investment Products (PRIPs), and on ESMA's advice to the European Commission regarding the Market Abuse Directive (MAD) and the Markets in Financial Instruments Directive (MiFID). ESMA's activities also included the supervision of credit rating agencies, the registration of trade repositories and the establishment of colleges of regulators for central counterparties.

In the near future, the ERC will remain committed to providing relevant input to IOSCO's internal discussions on implementation, policy and strategic issues. It also will continue to analyze and discuss regulatory developments, as well as emerging risks and trends, both within the European region and in global securities markets. These regular discussions will allow for a more efficient and effective interconnectedness among IOSCO bodies, particularly when considering relevant work for the future.





Report from the Chair of the Inter-American Regional Committee

Fernando Coloma

> Chair of the Inter-American Regional Committee
Chairman, Superintendencia de Valores y Seguros, Chile

First and foremost, it is my great pleasure to address the entire IOSCO membership for the first time as the new Chair of the Inter-American Regional Committee. For IARC, it has been a very active period, as regional regulators faced the tough challenges arising from the impact of the financial crisis. We are experiencing times of uncertainty worldwide. Though the economic outlook for the region--and for Latin America in particular-- remains relatively positive, it is subject to uncertainty and volatility arising from the external environment.

In this context, the IARC / COSRA (Council of Securities Regulators of the Americas) meetings have offered the region's different jurisdictions the opportunity to share their common concerns and to seek together new solutions and initiatives to meet the challenges they face. IARC held two meetings during the period covered by this annual report: in Beijing, China in May 2012 and in Port of Spain, Trinidad & Tobago in October of the same year.

Activities and Topics treated in the period

Some very interesting and relevant topics were dealt with during 2012, especially at the Trinidad and Tobago meeting. One of them was the retail forex issue. Ms. Regina Thoele from the National Futures Association (NFA) of the US was invited to present this topic to the IARC / COSRA members. Participants had the opportunity to discuss the difficulties and challenges facing regulators as they regulate and oversee the retail forex business and seek to provide adequate protection to investors.

Another subject discussed was the implementation of the International Financial Reporting Standards (IFRS) in the region. The discussion highlighted the diversity of approaches taken by the different jurisdictions and the difficulties inherent in the transition from GAAP rules to an IFRS scheme. IFRS should be seen as an

example of high-quality internationally- acceptable accounting standards. In this regard, IARC /COSRA and the IOSCO Committee on Issuer Accounting, Audit and Disclosure (C1) have a significant role to play in helping address the difficulties encountered by regional jurisdictions in implementing these standards.

Also during the period covered by this annual report, we had the opportunity to review the last report on small and medium enterprises (SME) issued by the SMEs working group. The report heightened our awareness of the difficulties faced by SMEs in the region, especially vis-à-vis their need to raise capital for sustainable development. Because SMEs account for a large portion of gross domestic product and job creation, regulators and policy makers should attend to their needs as quickly and as efficiently as possible.

Participants at the IARC /COSRA meeting in Port of Spain also discussed shadow banking, which reflected the importance of unregulated credit and liquidity providers to market stability, crisis prevention and management. Dealing with the challenges posed by shadow banking requires a commitment from every country and every international organization. The financial crisis has shown that if one country does not properly address this issue, the consequences may be felt by others. Similarly, the solution that each country adopts also may affect others.



As indicated above, much work is required to deal with these different subjects and to respond with efficient and innovative solutions. In this sense, the IARC / COSRA meetings are an outstanding venue to share experiences periodically, and to help each other.

Regional Issues

Though the region, in general, has escaped, the worst of the financial crisis, regulators there are aware of emerging local and global risks that could arise from the new global environment. Similarly, they realize that traditional risk could materialize in nontraditional circumstances, such as the aforementioned financial crisis.

In this context, members indicated the topics they thought important to the region, during the recent IARC/COSRA meetings and in response to a subsequent survey. Some of the issues raised included the possibility of setting-up a task force on cross-border regulation, as well as corporate governance and compliance monitoring; risk-based supervision as a means to strengthen market oversight, and emerging forms of alternative financing.

COSRA members signaled their concern about members that are still non-signatories of the Annex A of the IOSCO Multilateral Memorandum of Understanding (MMoU). Non signatories were encouraged to sign as soon as possible, given that the MMoU promotes cooperation among regulators.

Future Planned Activities

At the time of publication of the annual report, two IARC /COSRA meetings were scheduled for 2013: one in Lima, Peru, on 6 - 7 May and the other in Quebec City in October. For the IARC / COSRA Lima meeting, participants agreed to address the following topics: progress in Latin American Market Integration, known as MILA; risk-based supervision; and finally the conflict of interest vis-à-vis the recommendations made to retail customers via automated advice and the social media used to attract customers.

It was undoubtedly a very fruitful year. A wide spectrum of topics and issues were considered, and some relevant progress was made. Nonetheless, challenges remain. Member regulators will need to cooperate and share experiences in an effort to meet them.