



Report from the Secretary General

David Wright
> Secretary General

I took up my duties as Secretary General of IOSCO on 15 March 2012. From then until now we have been working very hard to try to strengthen IOSCO, to ensure we play a major role shaping the process of global financial repair and to strengthen our medium term capacity to provide sustained education and training and technical assistance of real quality to our emerging market members by developing an IOSCO Foundation.

Interestingly, in 2012, the global securities regulatory community became much more aware of the profound switch that is underway, from bank-centric financial models in many countries towards more market-based financing in the future. The Basel III agreement has ramped up capital requirements, with add-ons for G-SIFIs (Global systemically important financial institutions); bank leverage is set to decline; public finances in many parts of the world are caught in a tightening corset; private pension provision is set to increase exponentially; all of which means these *financing gaps* will have to be filled by market instruments of one form or another. Speaking to IOSCO members from all over the world, I am struck by the convergent view that strong local securities market development is essential for long term economic prosperity.

All this means that the relative role of securities regulators and the role of IOSCO becomes even more important going forward.

In response, IOSCO is seeking: to develop standards of real quality and depth, with sufficient granularity; to monitor implementation rigorously; to help all those who need it with appropriate technical assistance, education and training. Put another way, this is an extraordinary opportunity for IOSCO to deepen and widen global securities markets on the basis of optimal IOSCO standards.

Another important development that began in 2012 is the beginning of a serious collective effort by IOSCO to identify and understand better emerging securities market risks. This has now become almost de rigeur in all IOSCO's main committees – from the Board, to the Emerging Markets Committee, the Self-Regulatory Organizations Consultative Committee and the four Regional Committees, as well as some policy committees. The more we are able to link up our committee structures with effective two-way exchanges of information, the stronger we will become as an organization. It also seems to me that IOSCO will be most influential in helping shape global standard setting when we are ahead of the curve – thinking forward, many years forward, not backwards. A good example is the rapid and effective way we tackled the massive LIBOR scandal by setting up quickly a Board-level Task Force, ably led by Martin Wheatley (UK FCA) and Gary Gensler (US CFTC).

It is difficult to estimate how much of IOSCO's policy time, or the Secretariat's, is devoted to ensuring we contribute effectively to the FSB and G20 work streams. Perhaps 50 per cent or more? I have been very impressed by the seriousness with which we, as an organization, have tackled these tasks – none of them easy – and the real efforts we have made to cooperate and build consensus. In 2012 our contributions to the work on OTC derivatives reform, market infra-



structures, shadow banking, money market funds, etc., have been of considerable merit and were endorsed at the G20 level. But we should avoid the impression that the job has been completed. Much remains to be done; for example, ensuring that the emerging resolution frameworks can work on a cross-border basis or that the financial industry is changing its culture and behavior, sustainably, by putting the interests of customers first, not last. It is very significant and important for IOSCO and the public that we are working on the parameters for determining deterrent sanctions.

At Board level we have advanced on some difficult issues, such as membership and voting rights, which now go to the Presidents Committee for endorsement. The MMoU on cooperation and the exchange of information is moving from strength to strength – with 95 signatories at the time of writing. Encouragingly, those who are not yet in the fold are clamoring to get *in* to be compliant. With over 2000 exchanges of information for enforcement cases per year, this instrument is proving its worth. An interesting question now on the table is could, or should, the scope of the MMoU be extended?

As we go forward together, I hope IOSCO will continuously test itself against best international practice and

ask itself: “Where do we want to be in five, ten and 20 years’ time? What are our common interests? What is the level of our ambition for a world that is integrating at a vertiginous pace? How can we strengthen our co-operation and ensure that our standards are effectively applied?”

Let me conclude with expressing my gratitude to my exceptional deputy Tajinder Singh – and to all the Secretariat staff who have worked extremely hard and diligently throughout the year. There are too few of them - IOSCO is still under resourced compared to our sister organizations, with a budget frozen in nominal terms.

Finally, I would like to express my gratitude to, and admiration of, outgoing IOSCO Board Chair Masamichi Kono, for his invaluable guidance and leadership during my first year at IOSCO. Mr. Kono steered us skillfully through our structural reorganization. We are now on the way to becoming a stronger organization as a result. I look forward to working with incoming IOSCO Board Chair Greg Medcraft to build on Mr. Kono’s legacy and ensure IOSCO a leading role in shaping the global financial repair agenda.