



## Report from the Chair of the Growth and Emerging Markets (GEM) Committee

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**It is my privilege to present this year's Report of the Growth and Emerging Markets (GEM) Committee. As emerging markets have taken on greater prominence in the global financial agenda, particularly in the context of a less favorable external environment, the GEM Committee has in 2014 devoted significant efforts towards ensuring that regulatory issues of importance to GEM members are appropriately discussed and considered within the organization.**

In recognition of the important role of growth and emerging markets, the GEM Committee's participation and influence was strengthened by having two additional seats on the IOSCO Board. Additionally, the office of a second Vice Chair for the GEM Committee was established during the IOSCO Annual Conference in Rio de Janeiro in September 2014. Membership of the GEM Steering Committee was also formalized following the outcome of the elections of the IOSCO Board in Rio de Janeiro, and comprises CVM Brazil, CSRC China, Dubai FSA, FSA Egypt, SEBI India, CMA Kenya, FSS Korea, SC Malaysia, SEC Nigeria, SEC Pakistan, SMV Peru, CMA Saudi Arabia, FSB South Africa, SEC Thailand, SEC Trinidad and Tobago and CMB Turkey.

The work and efforts of the GEM Committee continued to gain traction throughout 2014, and I am encouraged by the growing interest to participate in the committee. With the increased membership, the number of GEM Committee members currently stands at 93, and represents approximately 75% of the total IOSCO membership. There has been also significant interest by international organizations and entities to partner and collaborate with the GEM Committee through joint work streams, workshops, conferences etc.

Issues pertaining to emerging markets were deliberated widely by the IOSCO Board. A roundtable discussion

dedicated to risks within growth and emerging markets, and the implications of these risks for global financial markets and for growth and emerging markets in particular, was held during the IOSCO Board meeting in Kuala Lumpur in February 2014. Further, through the GEM Committee's representation on the Financial Stability Board, we sought to ensure that capital-market related issues of relevance to emerging markets are elevated in global regulatory discussions. This includes highlighting the unintended consequences of global regulatory reform and emerging risks in growth and emerging markets.

In 2014, the GEM Committee continued to focus on three strategic priorities in the areas of policy work; regulatory capacity building and market development; and risks and vulnerabilities assessments in emerging markets. This follows from the GEM Committee's strategic review which was endorsed by members at its meeting in Luxembourg in September 2013.

### Enhancing regulatory capacity building and market development

Capacity building remains a key priority for GEM Committee members who require increased support to strengthen their regulatory capacity and infrastructure. This was reinforced by a survey conducted in 2014 by the GEM Committee which clearly articulated the



priority capacity building needs of members. The additional Board contributions agreed to in 2014 will progress the implementation of capacity building initiatives in some of these priority areas. Further, as part of the efforts to scale up capacity building activities and to better leverage on regional expertise and infrastructure, work has also commenced on the development of a framework for IOSCO Regional Capacity Building Hubs.

With the support of the IOSCO General Secretariat, the GEM Committee continued to actively pursue its capacity building efforts for members. Market Development Workshops were held during the course of the year, focusing on SME financing, risk based supervision, demutualization and its impact on exchange regulation and supervision, and improving financial access and capacity through investor education. The workshops were very well-received by participants, garnering high-level speakers from developed and emerging markets.

## Deepening regulatory and policy work

Recognizing the importance of capital markets in providing long-term financing to facilitate domestic capital market development, I had the opportunity to co-chair with Howard Wetston, Chair of the Ontario Securities Commission, IOSCO's Task Force on Long-Term Financing, where seven of the eighteen members are from the GEM Committee. The Task Force's research note on *Market-Based Long-Term Financing Solutions for SMEs and Infrastructure* was delivered to the G20 Finance Ministers and Central Bankers in September 2014. The research note is particularly relevant for emerging markets given the growing need for long term-financing, and provides innovative solutions on infrastructure and SME financing that have been applied in both developed and emerging markets. As part of the efforts leading to the publication of the research note, the GEM Committee also organized a conference on this topic during its GEM Annual Meeting in April 2014.



The GEM Committee is currently finalizing policy work on regulatory issues affecting emerging markets, namely, *Financing of SMEs through the Capital Markets*, as well as joint work with the World Bank in the *Development of Mutual Funds in Emerging Markets*. These reports are expected to be published by end 2015.

### **Strengthening assessment of risks and vulnerabilities in emerging markets**

In the course of 2014, the GEM Committee continued to regularly exchange strategic views and monitor developments in other markets with the aim of converging on areas that are of importance in the

emerging markets' regulatory sphere. In our efforts to be more effective and forward looking in identifying major risks and vulnerabilities, the GEM Committee held a series of engagements with international financial institutions and leading global market players on emerging risks and their impact on systemic stability. The Board roundtable discussions on risks within emerging markets were also insightful in informing many of our domestic efforts on risk management.

### **Focus and priorities for 2015**

The GEM Committee will continue to focus its efforts so that it remains a highly relevant platform for GEM



members, and that key issues relevant to GEM are encapsulated within the broad spectrum of IOSCO's work and activities. This is in line with IOSCO's Strategic Direction 2015-2020 which seeks to ensure that the needs and interest of GEM members are integrated into each of IOSCO's priorities.

As IOSCO is the only international standard setter that has a dedicated Committee to growth and emerging markets, it is important that the organization continues to build on past efforts and leverage on the structure, experience and expertise within the membership. This involves, among others, maintaining the momentum on regulatory capacity

building and moving forward on fresh initiatives, including strengthening crisis preparedness and contingency planning and providing tangible and practical guidance to support the development of domestic capital markets.

I would like to take this opportunity to acknowledge the important contributions and commitment of the GEM Steering Committee, the IOSCO Secretary General and the General Secretariat to our work. I would also like to express my appreciation to the Board Chair and Board members for their continuous support of the GEM Committee and its efforts.