

**Opening Speech by IOSCO Chair Greg
Medcraft**

The IOSCO Board Meeting with Stakeholders

Madrid, Tuesday 1 July 2014

- Good afternoon everyone.
- Thank you all for travelling here to meet today – it is much appreciated given your busy schedules.
- This meeting is an important part of IOSCO's engagement with stakeholders.
 - o These meetings help us better understand the markets.
 - o They also give industry an opportunity to hear about the issues that we're dealing with and provide input.
- We have a busy agenda –so I will make these introductory comments brief.
- I want to make three points:
 1. The first is to emphasise the key role **markets and the regulation of markets play in supporting economic growth.**
 2. The second is to outline **IOSCO's work in the last year in supporting these roles.**
 3. The third is to set out what I see as IOSCO's **key priorities** in the coming year.

1. The role of markets and regulation in supporting economic growth

- Markets are emerging as a key source of the funding required for economic growth.
- Regulators play a critical role in supporting the contribution markets can make to growth.
- We are tasked with creating the regulatory environment that enables markets to provide this funding.
- We do this by working to ensure our markets are sufficiently fair, efficient and transparent. This allows investors to be confident and informed when deciding whether to invest.
- Our role at IOSCO is to support our members in developing this enabling regulatory environment.
- This importance of this role has been emphasised by the shift in policy focus at a global level over the last twelve months from restoring resilience and stability to our financial system to a focus on economic growth.
- This change in focus has been made clear recently by the Chair of the FSB, Mark Carney.
- He has challenged policy makers to think – for instance – about shadow banking not simply in terms of its impact on

stability and resilience but in terms of the opportunities it offers to support economic growth.

- IOSCO's thinking has moved in this direction. This is reflected in our activities and our priorities over the last 12 months.

2. IOSCO activities in the last 12 months

- Let me provide some examples of our work over the last 12 months which underscores this focus on fostering markets.
- I want to focus on four areas.
 1. First, our work on emerging risks;
 2. Second, our policy development work;
 3. Third, our capacity building initiatives for our growth and emerging markets members; and
 4. Fourth, the organisation of IOSCO.
- Each of the areas is contributing, or will contribute, to strong capital markets.
- Our agenda also continues to emphasise IOSCO's role as the key international reference point on securities regulation.

Let me now turn to each of these areas.

Identifying and responding to emerging risks

- Firstly, I'd like to highlight our work on identifying and responding

to emerging risks in the markets and activities we regulate.

- Our focus here is on understanding risks that threaten the effectiveness of markets in supporting economic growth.
- An important initiative has been the Emerging Risk Roundtables. These are now part of our Board and Regional Committee meetings.
 - These roundtables have been an opportunity for us to engage with industry, academics and other experts to explore current risks, challenges and opportunities for regulators.
- At Board level, the roundtables have discussed:
 - cyber-risks and cyber-resilience;
 - the role of behavioural psychology in regulation;
 - the opportunities and threats of social media;
 - the issues faced by growth and emerging economies;
 - and – most recently – corporate governance.
- As we will hear over the next two days, IOSCO has responded and is responding to the challenges and opportunities in each of these areas.
- Another initiative has been our Securities Risk Outlook. This was

first published in October 2013. It will be an annual exercise. This is a fine example of IOSCO identifying emerging and systemic risks in our regulatory perimeter.

o We will talk about this shortly in more detail.

Policy Development

- I want to now turn to our policy development work.
- We have continued to develop standards and regulatory guidance in a number of areas.
- Particular achievements have been our:
 - o Principles for Financial Benchmarks, published in July 2013;
 - o work on margin requirements for non-centrally cleared derivatives, published in September 2013; and
 - o Report on Retail Structured Products, published in December 2013.
- A fair amount of our recent policy work has been driven by the FSB and G20 agenda, as David and Tajinder will shortly outline.
- We are also working to exacting deadlines set by the G20 to complete outstanding reforms in response to the Crisis.

- We are engaged in important projects – for instance:
 - o on setting risk mitigation standards for non-centrally cleared derivatives;
 - o on assessing the implementation of our recommendations on securitisation and Money Market Funds; and
 - o in developing methodologies to identify and regulate SIFI's in our regulatory space.
- I want to touch on five topics on our current agenda that highlight our role in enabling markets to fund economic growth.
- The first topic is **corporate governance**.
- Our two most recent Board roundtables have underscored the important role corporate governance and risk management plays in building resilient and robust capital markets.
- The quality of corporate governance is a key priority for building the types of capital markets which attract 'patient capital'.
- Our challenge at IOSCO is to understand the role we can

play in supporting improvements in this area.

- We will also touch on this later this afternoon.
- The second topic on which I want to focus is **improving audit quality**.
- Board members and I have been concerned for some time about a deterioration in the quality of the work of auditors in my own country and globally.
- Improvements are required to give investors the confidence in using financial statements made by securities issuers.
- In my view, improvements to audit quality require developing globally consistent approaches to both audit supervision and to the consequences of poor quality audits.
- Gerben Everts of the Netherlands AMF is leading this work and will introduce it to you later this afternoon.
- The third topic I want to mention is what has been described as 'long term finance'.
- Our roundtables have again emphasised the important role securities regulators and IOSCO can play in supporting innovation and developments in financial markets.
- IOSCO recently agreed to prepare a paper for the G20

Leaders on this topic. It will describe and highlight market based financing tools that have been effective in funding infrastructure and SME activity.

- This work will complement our other important work on market-based financing. This work includes securitisation, corporate bond markets and crowdfunding. It will be outlined over the next two days.
- The fourth policy topic is **cyber-resilience**.
- Our Luxembourg roundtable last year highlighted for me that the next 'black swan' event may be a cyber-attack.
- It also flagged a real opportunity for IOSCO to contribute to improving the resilience of financial markets to cyber-attacks.
- Rohini Tendulkar of the IOSCO General Secretariat will outline this work later this afternoon.
- The final topic is **cross border regulation**.
- In 2013, we initiated work to develop a toolkit of measures for IOSCO members to regulate the cross border activity in the securities markets.
- This work is progressing well.

- We have completed a survey of members and a series of industry roundtables in Asia, Europe and the Americas.
- We expect to issue a consultation paper later this year. David will provide more detail on this work tomorrow.

Supporting our Members from Growth and Emerging Markets

- I now want to turn to the third area of focus over the last year – our work in supporting members from growth and emerging economies.
- Members from growth and emerging economies account for over 75% of our members.
 - Their economies and markets will be the engine room of global growth.
 - IOSCO has a critical role to play in assisting the development of capital markets in these economies which – by attracting patient capital – can support and drive real economic growth.
- I want to acknowledge the important role Ranjit Singh (as Chair) and Bert Chanetsa (as Vice-Chair) have played in strengthening the Growth and Emerging Markets (or GEM) Committee as a key part of IOSCO.
- Through Ranjit our Growth and Emerging Markets members have also had a passionate and articulate voice at FSB

Plenary meetings.

- A key initiative on growth and emerging markets was agreed by the Board in September last year. This was the establishment of a Capacity Building Resource Committee with a mandate to develop and implement a strategy to fund capacity building among our GEM members.
- This Committee – with support of the Secretariat and the GEM Committee and input from our GEM members – is identifying the capacity building initiatives that need funding.
- To help provide some of this funding, the permanent Board members recently agreed that in 2015 they will contribute 15,000 Euros more in membership fees.
- The past year has also seen significant commitment by our members to becoming full signatories to the MMoU.
- Our Screening Group and the General Secretariat continue to work tirelessly with members to meet the high standards we expect of Appendix A signatories.
- We now have over 102 members signed up with over 2,500 information requests under the MMoU.

The future organisation of IOSCO

- The last workstream from the last 12 months I wanted to mention concerns our efforts to improve the way IOSCO is and will be organised and run.
- We've made important changes in the last year and set in train a strategic review of IOSCO for the rest of this decade.
- The key organisational change has been in composition of the Board, to take effect from the Annual Conference in Rio in September.
- Our Board will increase to 34 members. It will include 18 members from the largest capital markets (who will become permanent members) with remaining members elected to ensure:
 - o an appropriate balance between developed and growth and emerging markets; and
 - o a balanced regional representation.
- I believe this structure is optimal. It will increase representation of emerging markets members while also ensuring that **over 80 per cent** of world markets by value are represented.
- In September last year, the Board approved a project to define how we want to be seen by the end of the decade and

a strategic plan to deliver on that vision.

- The project – which we have called **IOSCO 2020**– will provide a basis for developing business, resourcing and funding plans for a stronger organisation through to 2020.
- The first step in this project has been a survey of our members and stakeholders on:
 - o how they see IOSCO travelling;
 - o where they want us to go; and
 - o what they want us to be doing.
- This survey is currently open and I encourage everyone here today to respond to it by the end of this week.

3. The Way Forward

- My final topic for today is what I see as the key priorities for the coming year.
- The challenge for us will be to build on the good work and momentum of the last year.
- My priorities as Chairman will be to ensure we pay particular attention to three areas each of which reflects the significance of our markets in driving economic growth:

1. The first is to continue to focus single mindedly on developing **appropriate responses to emerging risks** which threaten the role our markets play in driving economic growth.
 2. The second is to **deliver policy** which guides our members in developing regulatory environments and frameworks to enable markets to support economic growth.
 3. The third is to continue to support our growth and emerging markets through a **sustainable capacity building program** that helps these members to implement growth-supporting regulatory frameworks.
- I look forward to a constructive discussion through today and tomorrow and again welcome your participation.
 - Thank you.