



Opening Ceremony

Ms. Jane Diplock

Chairperson of the IOSCO Executive Committee
Chairperson of the New Zealand Securities Commission

6 April 2005

30th IOSCO Annual Conference
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JANE DIPLOCK AO

**Chairman of the IOSCO Executive Committee
and New Zealand Securities Commission**

Hon Minister of Finance, Dr Sarath Amunugama
Mr Chairman of the Securities and Exchange Commission of Sri Lanka
Mr Chairman of the IOSCO Technical Committee
Mr Chairman of the IOSCO Emerging Markets Committee
Mr Secretary-General of IOSCO
Dear Colleagues
Distinguished Guests
Ladies and Gentlemen

It is my honour to welcome you to the 30th IOSCO Annual Conference in the beautiful city of Colombo. On your behalf, I wish to thank Dr Amunugama for his warm welcome and also Dr Jayasuriya, and his team at the Securities and Exchange Commission of Sri Lanka, for their generous hospitality on this occasion.

Our conference is a gathering of people from more than 100 nations around the world. All of us, I am sure, share a deep appreciation for the warmth of Sri Lanka's welcome at this difficult time, three months after the devastating tsunami of 26 December 2004. The loss and trauma suffered by our host nation has struck at the hearts of us all. I take this opportunity to extend, on behalf of all IOSCO visitors to these shores, our sincere condolences to the people of Sri Lanka for their losses.

The fine organisation of the conference is clear testimony to the dedication and professionalism of our Sri Lankan colleagues at the Securities and Exchange Commission. In the face of extreme adversity, they have made every effort to ensure these four days are not only productive for IOSCO and its membership, but also very enjoyable for those of us fortunate enough to be participating in person. Thank you.

Sri Lanka, this Resplendent Isle, has a long and vibrant history as a centre of commerce and trade in South Asia. We can be confident that this remains the destiny of Sri Lanka in the new age of economic globalisation and of rising cross-border capital investment. This outward-looking nation is a leader among the emerging markets that are so important to the growth and stability of the global capital market overall. Sri Lanka is making a vital contribution, not least through its active support for the programmes of IOSCO. It is on several counts, therefore, that we are honoured and privileged to be meeting in Colombo today.

It is significant that here in Sri Lanka we have made some landmark decisions which set the strategic direction for IOSCO. This is a very exciting development for this organisation. It provides the opportunity for IOSCO to truly live up to its important responsibilities as the world standard setter for securities regulation. The strategy has a number of facets. It confirms the operational priorities for IOSCO. It establishes the capacity of IOSCO to fund a standing programme to help members implement the IOSCO principles and standards. It establishes the IOSCO MOU as the benchmark for international cooperation and exchange of information, and it enables the Secretariat to assist members to prepare for signing the IOSCO MOU. It provides that by 2010 all members will either become signatories to Appendix A or be signatories to Appendix B of the IOSCO MOU. The endorsement of this strategic direction sets IOSCO's path for the next 5 years.

We would all agree, I think, that this conference is extremely important to IOSCO for three principal reasons. First, it confirms the organisation's leading role in the regulation of global capital markets. Second, it has provided us an opportunity to move forward by agreeing a clear strategic direction and operational priorities. Third, it provides a unique forum for the exchange of information and views on the current and emerging issues facing regulators everywhere as capital markets grow in size and complexity. Let me address each reason briefly in turn.

First, the role of IOSCO. It is undoubtedly the world's leading standards setter for securities regulation. Its high standing is now widely acknowledged by members and by other bodies in the international financial community who recognise IOSCO's achievements over recent years. Clearly, the IOSCO Objectives and Principles of Securities Regulation have become the fundamental reference for benchmarking and assessing securities regulation in any jurisdiction worldwide.

We have continued to make good progress with implementation of the Principles by members and, of course, the Principles have become a powerful basis for setting standards in specific areas of regulation and for addressing new issues as they emerge. IOSCO achievements over the past year are many and varied. They include: our Code of Conduct Fundamentals for Credit Rating Agencies; new Principles on Client Identification and Beneficial Ownership for the Securities Industry; key reports on Strengthening Capital Markets Against Financial Fraud and on Islamic Capital Markets; a survey on the implementation of the IOSCO Principles as they relate to auditor oversight; and productive cooperation with global banking and insurance regulators through the Joint Forum.

The progress reflects the diligence and focus of the Technical Committee and the Emerging Markets Committee, along with the hard work of the Executive Committee. I wish to acknowledge here the contribution of each and every member of these groups. Behind them, the strength of IOSCO is its almost universal membership among regulators of securities markets worldwide, and its proven ability to secure consensus on important initiatives. Our ability to make progress relies on positive and meaningful engagement by members. It relies also on their continued recognition of the role that IOSCO must play in maintaining and enhancing market confidence and financial stability and, ultimately, I suggest, in helping to foster economic growth worldwide.

We have achieved much in recent years. But much more remains to be done. This conference is, therefore, an important milestone in confirming IOSCO's fundamental role in the effective regulation of global capital markets.

Second, the organisation has emerged from this conference with a clear strategic direction and operational priorities. Discussion and agreement on these has, of course, been a central concern of the IOSCO committee meetings in recent days. I am delighted to report that we have agreed this important direction today.

In broad terms, our priorities for 2005 and beyond are threefold. IOSCO will maintain and enhance its programmes for setting new standards and principles in specific areas. Timely and important work is underway in regard to: auditor oversight; the regulation of financial analysts; the implementation of International Financial Reporting Standards; principles for the governance of collective investment schemes; and various other topics of international concern.

Our second broad priority is to continue with implementation of the IOSCO Principles. The pilot phase of the IOSCO Principles Assessment and Implementation Program is due for completion in the first half of 2005. We now have a much improved understanding of what is required to complete assessments and to move ahead with action plans for bringing individual jurisdictions into line with the Principles. IOSCO will continue to track progress and assist in channelling resources where they are required. There is a need for urgency. Progress with the Principles—indeed, faster progress than has been made to date—is necessary for this organisation to maintain its high international standing. The upgrading of domestic regulatory frameworks is, we would all acknowledge, critical to reduction of systemic risk in global capital markets.

Our third broad priority is to strengthen and extend cross-border cooperation between regulators, especially for enforcement purposes. IOSCO will put greater emphasis on the Multilateral Memorandum Concerning Consultation and Cooperation and the Exchange of Information (which we generally refer to as the "IOSCO MOU"). To date, 27 members have signed the MOU and a further five have expressed their commitment to doing so in accordance with the document's Appendix B. The MOU is now proving to be a very effective tool in combating cross-border financial crime. And it will become more so when more members meet the requirements to become signatories and join in this cooperative network of regulators.

In the context of the IOSCO Principles, the MOU gives ultimate recognition to those principles dealing with enforcement. We have today formally recognised the MOU as the international benchmark for enforcement-related cooperation and information exchange and have decided all members will sign one of the appendices of the MOU by 2010.

Acceleration of progress in this area undoubtedly requires a fully-fledged IOSCO MOU Assistance Program. Resourcing issues are paramount for the organisation if we are to encourage and assist many member jurisdictions in the regulatory reforms required of them to achieve signatory status. Today the Presidents Committee has taken key decisions on the need for additional resources for the IOSCO General

Secretariat and for IOSCO field experts. The organisation will, accordingly, look to members for an increased level of contribution that directly supports the important work now to be done.

I outlined a third principal reason for this conference—the exchange of information and views on the current and emerging regulatory issues. And there is no shortage of these! IOSCO has always served as a mechanism for the sharing of intelligence and perspectives between regulators. Members definitely derive much of their value from this organisation through processes of networking and informal contacts, both at and between meetings. The annual conference provides a particularly important opportunity to engage as many members as possible in these exchanges. This year, we look forward to four excellent panel sessions.

The first panel will look at the regulation of Credit Rating Agencies and we can expect robust discussion on how valuable the IOSCO Code of Conduct Fundamentals really are in this respect. The second panel will address particular issues arising in the capital markets of rapidly developing countries. Discussion will undoubtedly canvass the attributes required of regulators in those markets.

The performance in markets of financial analysts has come under increasing scrutiny in recent years and a third panel will pick up this issue. The IOSCO Statement of Principles for Addressing Sell-side Securities Analysts Conflicts was published in 2003, and these principles will guide the debate. The fourth panel will confront one of the most complex issues now emerging for regulators—the growth of international hedge funds. IOSCO is currently undertaking research on different regulatory responses to this development. Guidelines may follow towards promoting, at the very least, clearer disclosure on the operation of hedge funds.

The 30th IOSCO Annual Conference has a full and stimulating agenda. Committee meetings of the past few days have addressed with intellectual rigour and steady purpose the topics that are most pressing for this organisation. I invite all present to enjoy and derive value from today's proceedings.

Once again, I thank the Minister, and the Securities and Exchange Commission of Sri Lanka for their hospitality and for making this conference such a success. In closing, I simply note that humankind can do little to contain the devastation wrought, from time to time, by nature. But we can certainly do much to contain—and indeed prevent—the lesser devastation that poorly managed or criminal financial dealing can wreak on capital markets and on the economies they serve. Those of us in a position to prevent or lessen that form of devastation have a significant duty to do so.

Thank you.