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**Opening Remarks at the IARC/COSRA Meeting**  
**Port of Spain, Trinidad and Tobago**  
**29 October 2012**

Hon'ble Minister of Finance and the Economy, other Ministers, Professor Watson, Mr Fernando Coloma the Chair of IARC/COSRA, Governor of the Central Bank, IARC/COSRA Members, ladies and gentlemen:

Let me start by joining Patrick and Fernando in welcoming you all on behalf of IOSCO to this meeting. I would like to thank the organizers for arranging this and to all of you distinguished guests including the Hon'ble Minister for taking the time to participate in this meeting.

This regional committee has always been special as the roots of IOSCO are derived from a decision by regulators of this region to set up IOSCO in the 1970s.

As you are probably aware, we had the first full meeting of the newly constituted IOSCO Board early this month. The Board is the top governance body below the Presidents Committee in IOSCO, and many IARC/COSRA members are Board members including Trinidad and Tobago. The Board was constituted to rationalize and simplify IOSCO's structure and the earlier Executive and Technical Committees have been dispensed with. As part of this fresh beginning, we had a roundtable with market participants in this first substantive meeting of the Board. It was a special session in which many top CEOs and CFOs from the industry were invited. I will not go into all the details of the meeting, but a question that came up at the meeting was how can we have growth at a time of the financial crisis when deleveraging was going on, when many banks and financial institutions are subject to more rigorous capital and prudential requirements, and when the ability of governments to spend more is also severely restricted. The theme that kept coming up, and which helps to answer this question, is that "Securities Markets are going to play an important role in the financing of the economy."

I think this is a good moment to mention a few words about IOSCO for those who might not be fully informed. The International Organization of Securities Commissions is the global standard setting body for securities regulation, which brings together the world's market regulators. We have more than 200 members and about 120 of them are regulators of different nations. We are working on important mandates from the G20 and the Financial Stability Board. The IOSCO objectives and principles of securities regulation are one of the 12 key standards and codes for financial stability. The IOSCO MMoU is the pre-eminent global standard for cooperation relating to enforcement matters, and we will have close to 100 MMoU signatories by the end of the year. It is a really significant cross-border instrument with tough entry conditions as even banking secrecy laws are not allowed to be an obstacle.

IOSCO's objectives of securities regulation are: investor protection; ensuring that markets are fair, efficient and transparent; and reduction of systemic risk.

We conducted a review of our strategic direction and came out with a new Mission and Goals statement two years ago. This emphasized our role in policy and standard setting, but also in capacity building and our role in identifying and mitigating systemic risks. There is now a renewed emphasis on implementation, and we have set up this year an Assessment Committee. We have a new unitary IOSCO Board and we also have restructured our policy committees. All of this has been done with the twin objective of being more inclusive and joined up and to also increase our effectiveness.

Coming back to the issue of growth in a deleveraging world; it is clear that securities markets will play an important role in financing the economy. This means that the economy will be dependent on market based financing and the question then is what are the necessary conditions for market based financing to work? I think the single most important condition needed is that there should be Trust - i.e. trust in the system has to be rebuilt. Without trust, investors will not invest. So investors should feel that they are protected, and that they are not being fooled or cheated. Another important element of trust is that the systems and framework in which markets operate should be safe and should be seen to be safe. IOSCO is doing important work in both these aspects of trust.

In terms of the work on making the system safer, IOSCO has this year finalized its report on Principles for Financial Market Infrastructures (FMI) along with the Committee on Payment and Settlement Systems (CPSS). IOSCO has been working on OTC derivatives reforms in the area of electronic trading, trade reporting and central clearing, and therefore the FMI principles are even more important because a considerable amount of OTC transactions will need to be cleared by central counter parties (CCPs) and reported into Trade Repositories. We have been working on the area of shadow banking, including Money Market Funds and securitization to address risks to financial stability. However, I personally do not very much like the term "shadow banking". I would prefer a more neutral characterization of market based financing. Of course, there are risks in market based financing that need to be addressed- just as there are risks in bank financing. But all market based financing is not bad. In fact, a well regulated market based financing system is probably the most likely answer to the financing needs of the economy.

We are consulting members in the area of High Frequency Trading and we published our report on Dark Pools and fragmentation of trading last year as part of our work on market integrity and efficiency. After the LIBOR scandal, IOSCO set up a new Task Force on Financial Market Benchmarks which is co-chaired by Martin Wheatley of the UK FSA and Gary Gensler of the US CFTC. This Task Force had its meeting earlier this month in Madrid, and will come out with recommendations in the first quarter of the next year. We have come out with recommendations for Price Reporting Agencies in the oil market. As you will note, these pieces of work go towards extending the perimeter of regulation.

An important issue in this context is the role of financial firms and their corporate governance. The LIBOR scandal is an example. I think the choice before firms is either to improve their governance and to actually believe that “honesty is the best policy”, as this policy in the long run helps in avoiding crises, or the other choice is for scandals to happen and for regulators to keep extending the perimeter of regulation. When the perimeter is extended, there will be prescriptive rules and there could be unintended consequences. So the best way for firms to approach this is to improve their corporate governance on which we have a panel discussion later today.

The other aspect in this effort to rebuild Trust in the financial system is to increase efforts at investor protection, and that is also core IOSCO work. We have worked on investor education; on disclosure at the Point of Sale; and on investor suitability for complex financial products. We have an investor alerts system that puts out these alerts very frequently on the basis of information received from various jurisdictions. We are also working to set up an IOSCO Foundation with contributions from the private sector to ramp up efforts on Investor Education, Technical Assistance and Research, as we believe that these are essential for proper development of securities markets throughout the world.

Sanctions and enforcement are also very important aspects, because if the players in the financial system do not play as per rules, sanctions should be imposed which are deterrent. We should remember that building trust that is broken is not easy, and therefore there is a need for tough sanctions regimes and for their enforcement. I already mentioned the IOSCO MMOU earlier; this makes it even more difficult for perpetrators of securities market violations to escape. I can mention here that the MMOU was also put to good use in the LIBOR scandal investigations. The MMOU is something that needs further steps to be taken in this region. The recognition of the MMOU is almost universal, and now the Financial Stability Board is also pushing for countries to sign on to this. Joining the MMOU has great benefits in terms of the reputational benefit of seeing our jurisdictions as having safe markets and contributing to more safety in this globalized world. In addition, the toolbox that is being considered by the FSB as well as IOSCO will also include some measures that are not necessarily pleasant. While the MMOU is a great success for IOSCO, we should all join hands in ensuring that the goal of having all our members as MMOU signatories is fulfilled. Governments, Central Banks and regulators around the world have joined hands to ensure compliance with the MMOU requirements, including dealing with bank secrecy issues, and we are very grateful to them for this.

I think that if we all collectively succeed in re-building trust, that we play by the rules in letter but also in spirit, recognizing that it is indeed the best policy that avoids future crises and blow ups, then we can have a sound basis for growth in which securities markets can play an important role. IOSCO is committed to continue its efforts on investor protection and ensuring a fair, efficient and transparent system so that securities markets can play their role in growth and development.

Thank you for your attention and thank you again for attending this IARC/ COSRA meeting. I look forward to a very productive meeting.