

O P I N I O N

Promoting consistency in capital market regulation

SECURITIES regulators are of paramount importance in shaping the long-term architecture of global capital markets. The growing inter-connectedness of the world economy creates new opportunities but it also carries challenges. It is thus crucial for the global regulatory community to cooperate in fostering stronger and more developed markets.

Emerging markets are increasingly important as they are perceived as the primary engine for global economic development and growth. The GEM Committee meetings in turn serve as a platform to discuss global issues affecting capital markets amongst members and to shape strategic thinking and vision for development of emerging markets.

IOSCO's works are geared towards deepening markets and building stronger regulatory capacity. The Securities Commission also plays a key role in the field of cooperation on information exchange and enforcement between regulators.

Capital market regulation models differ widely across Africa as legislation and regulatory structures vary between jurisdictions. Capital Markets regulation may in some countries fall under the purview of the central banks, in others in the realms of independent securities regulator or under the ministry of finance. Given the wide variation in levels of capital market regulation, IOSCO came up with its core principles to promote more consistency. Those principles are recognised as the key global standard for securities regulation aimed at protecting investors, ensuring that markets are fair, efficient and transparent and in the reduction of systemic risk.

In addition, the Committee of Insurance, Securities and Non-bank financial Authorities (CISNA) within the Southern African Development Community (SADC), is following the IOSCO



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Principles in its work of harmonisation of legislations of capital markets for the SADC region.

Capital Markets have played an important role in the economic transformation of Mauritius. Two exchanges are operational opening up opportunities for investors and for the creation of jobs. The Securities Act governing the Capital Markets in Mauritius is aligned with the IOSCO principles. For the development of the Capital Markets, the FSC aligned its activities to the recommendations set out by IOSCO Technical reports and its principles.

Today Africa is attracting capital and Mauritius has positioned itself as the gateway to Africa. We are indeed at the crossroads between Asia and Africa and the advantages offered by our jurisdiction are numerous. We are multilingual, we are blessed with a qualified workforce of professionals and a stable, democratic society.

IOSCO emphasises widely on investor education and has even launched an Investor Education Gateway aimed to enhance the sharing of investor education information among IOSCO members and the public. In line with IOSCO's work, the FSC has launched its consumer education website to promote financial literacy and also to protect investors.

G20 leaders have highlighted the importance of long-term financing, focusing on infrastructure investment, to foster long-term growth. IOSCO is working intensively with the G20

and the Financial Stability Board on the global regulatory reform agenda. Thus, tomorrow's Public Conference on Long-Term Financing through Capital Markets marks a fundamental aspect for emerging markets. Most emerging markets have traditionally used the banking system for intermediation.

However, the higher capital and liquidity requirements imposed on banks may drive the shift towards market-based financing. Thus market-based financing is seen as key to funding economic growth as business requires access to capital at lower cost. This shift from the banking sector to the securities sector means securities regulation and securities regulators' role have become of greater significance.

The benefits of capital markets in emerging market economies are well known. However, capital markets in emerging market economies are still illiquid and underdeveloped. Tomorrow's Conference facilitated by high level panellists shall shed lights towards building strong and stable capital markets in emerging market economies.

Regulators in the emerging markets must remain abreast of development in the international financial arena. Ensuring strong investor protection, proper governance and market conduct shall stay amongst the core aspect of emerging market regulators.

In hosting the GEM Committee Meeting and Conference, the FSC joins in to the IOSCO's objectives of improving the capability of regulators and the quality of supervision worldwide and will continue to do so.

Edited version of an address by Marc Hein at the International Organization for Securities Commissions (IOSCO) Growth and Emerging Markets (GEM) Committee Annual Meeting and Conference during the Gala Dinner held on the 23rd of April at the Le Chateau Labourdonnais.