



Financial Services Commission  
Mauritius

**IOSCO Africa Middle East Regional Committee  
Corporate Bond Markets Outreach Programme,  
FSC House, Mauritius 07- 08, October 2013**

**Welcoming Speech by Ms. Clairette Ah-Hen, Chief Executive, FSC**

Ms. Isabel PASTOR, Senior Advisor, IOSCO General Secretariat

Mr. Jae-Ryong JEONG, Head International Team, Financial Supervisory Service Korea

Mr. Anand RAGUNATHAN, Assistant General Manager, Investment Management Department,  
Securities and Exchange Board of India

Ms. Irene Tagliamonte, Senior Officer at the International Relations office of CONSOB, Italy

Participants – those from abroad and local

Ladies and Gentlemen

Good morning,

I welcome you all to the FSC House for the IOSCO - Africa Middle East Regional Committee -  
Bond Markets Outreach Programme.

The corporate bond markets in emerging markets are at various stages of development and in many  
countries, they tend to be relatively nascent and untapped.

The objective of the workshop is two-fold:- (a) to familiarise participants on the developments and  
challenges of bond markets and (b) to bring participants to reflect on issues of interests with respect  
to bond markets in the African region.

## **Market-based Financing**

The global financial crisis has impacted severely on consumer and investor confidence worldwide. Bank corporate governance, regulation and supervision had failed in several countries; a view reinforced by the fact that banking crises seem to be a recurrent phenomenon. This succession of financial crises has inspired the call for a review of bank regulation and supervision around the globe. The new regulations primarily concern bank capital, liquidity, compensation and corporate structure.

Capital adequacy is important not only to ensure sufficient capital to maintain bank solvency, but also to ascertain that capital regulation is not excessive. But, if capital is excessive (i.e. the creation of too large a cushion of capital), this may lead to inefficiently high interest rates on bank loans and thus curtailing the supply of loan. It is argued that 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.

However, equity-funding is still costly (at least on a private cost basis), especially in a period of recession when one should proceed with caution in respect of a capital increase. Thus, bond issue can be considered as an alternative.

## **Consistent and Ongoing Regulation**

Although many emerging market economies have far resisted the direct spillovers of the financial crisis and have shown some resilience to the slowdown in economic growth, they remain vulnerable to the indirect effects of the global financial crisis, such as increasing volatility, repricing of risks, increasing cost of funding and possibly reduced flows to emerging market economies.

As part of a diversified financial system, a well-developed bond market can help provide the long-term financing needed for sustainable growth. This is one of the reasons why the FSC is promoting bond market and the regulation leading to it. Moreover, the bond markets are seen as new financial

instruments for savings and investments as firms or investors are keen to lock in long-term financing.

The development of bond markets by no means impedes on the prudential regulation aspects. Banks, investors and regulators apply the same techniques and tools to assess a company's financial performance and position. Prudential regulation and supervision are meant to protect investors, ensure that financial markets are fair, transparent and efficient and reduce systemic risks.

The financial crisis has brought increased attention to the efficiency and effectiveness of financial supervision. In addition, IOSCO members have given equal attention to consumer protection, encompassing market regulation and oversight of company conduct. However, we need to recognise that future rise in activities in our capital markets will have a flow-on effect on the financial service providers. Fostering dialogue with industry and other regulators to better understand the markets is fundamental in this regard. The development of bond markets is essential, but promoting consistent and aligned regulation between different jurisdictions is equally important.

### **Building Regulatory Capability**

The FSC supports the IOSCO Foundation in its initiative of building regulatory capacity and will continue to do so. In hosting this workshop, the FSC joins in the IOSCO's objective of improving the capability of regulators and the quality of supervision worldwide.

On this note, I wish you a fruitful workshop and a nice stay in Mauritius.

Thank You