

IOSCO Growth and Emerging Markets Committee

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Welcome Speech
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Fellow regulators

Ladies and Gentlemen

Good Morning to you all

It is my pleasure to welcome you today to this IOSCO GEMC Public Conference on *Long-Term Financing through Capital Markets*. For us emerging economies, this public conference which focuses on Access to Long-Term Financing through Capital Markets and the Role of Intermediaries is very timely.

Well-functioning capital markets are vital for everyone. They support businesses and growth across the world. They provide important services for investors - from large pension funds to the smallest individual investors. Capital markets help in the effective allocation of resources from savers to entrepreneurs and hence towards economic development. Raising of finance either through equity, with a long term perspective or through less risky securities such as bonds - can create the dynamism and long term perspective that all of us are awaiting.

The role of Securities regulators is very important as they have to ensure a fair and transparent system which in turn contributes to the building of confidence of the public in the free market system. We must not forget that many of the growth and emerging market regulators may also have a developmental role.

Moreover, growth and emerging markets keep being pushed to meet requirements and rules made by mature markets / developed countries - or should we say the push of the G20 over the remaining 80 or so frontier economies.

How can regulators continue to address issues such as:

- financial stability;
- providing greater access to financial markets;
- responding to the needs of investors and consumers;
- better monitoring the conduct of operators; and
- enhancing the supervisory capacity of the staff of regulators and thus the credibility of these institutions?

Yes, I agree that these have to be addressed but they must be considered in terms of the benefits and improvements they bring. Knowledge is far more than just knowing - it is the **ability to use** your knowledge in the context of another person's needs.

How do regulators then:

- balance the risks and benefits;
- balance the need for growth and barriers created by excessive regulation; and
- balance the diverse objectives imposed on them?

How will regulators meet these ever changing needs?

We are now seeing lots of tools being proposed:

- behavioural economics is coming to the front to explore why people sometimes make decisions the way they do, even if irrational, and why and how their behaviour does not follow the predictions of economic models.
- In addition, we have technological innovation with high frequency trading and decisions being left to some mathematical models, devised by a few.
- In some markets, there are investors buying and selling without really understanding - more like gambling on the securities markets - relying on emotion and a must-win attitude to create profits - which is unlikely to succeed over the course of many trades.

The major questions for regulators thus relate to **Whether, When, How** and, most importantly, **How Effective** would their policies, procedures and processes be? None of these questions have easy answers.

In the last five years, much progress has been made towards a uniform global approach, but there are still inconsistencies in terms of how regulations and required controls are implemented from region to region. The pace of regulatory change also poses a significant challenge for the financial services institutions as well as for the securities regulators in small emerging markets.

However, with the risk of repeating myself, we need to bear in mind that though it is important that processes and competencies meet international standards, regulators must ensure that the system is not overburdened with ineffective and inappropriate regulations.

What this implies is that regulators must not only have the technical expertise but they must develop a diverse set of other skills which will allow them to address technological changes as well as meet the needs of the public - present and future.

As a member of the IOSCO, I am privileged to know that a lot of work is being done, but we need to publicise our work so that others know that these challenges that we face today are not being left unaddressed. This meeting and conference, hosted by the FSC Mauritius, and attended by over 86 participants from 36 countries, goes in the right direction. It has allowed the staff of the Commission to build technical capacity, share experiences with other regulators as well with the public on issues of concern to all of us.

It is important to learn from each other, especially in the implementation and application of the standards and tools in the various regions in terms of: demutualisation of exchanges, consumer education, emerging risks, a more effective supervision and how to improve on good governance at all levels.

Let me end by thanking all delegates for their participation and to those from overseas, I hope that you also have the opportunity to enjoy all that our Country has to offer.

Ladies and gentlemen, thank you for your attention. I wish you fruitful deliberations and look forward to your active participation.

25 April 2014