

Leonardo Pereira - Speech at IOSCO President's Committee - June 17, 2015

Thank you, Mr. Chair.

I would like to take the chance to thank the UK FCA for hosting the 2015 Annual Conference. Having been the host last year in Rio, I know how rewarding it can be in terms of sharing experiences and get involved in some key decisions. However, I also know how challenging it is to get to the finish line!

On behalf of the Growth and Emerging Markets Committee (GEM), I will be reporting our recent activities.

The GEM is IOSCO's largest Committee and comprises approximately 75% of the organization members!

We held our 2015 Annual Meeting and Conference in Cairo last April. At that time, and as part of the GEM's effort to strengthen our regulatory capacity to manage risks, we held a Crisis Management and Contingency Planning Workshop with the support of a highly experienced external consultant. We had eight simulation teams and had to answer to potential adverse situations that could potentially lead to market failure.

Also, a half day Risk Roundtable took place with leading speakers from the industry and international organizations.

The Committee also approved, in principle, the report on Financing of Small and Medium Size Enterprises (SMEs) through Capital Markets. We believe this SME report will be an important reference for regulators as we continue taking concrete measures to develop plans to bring more SMEs to the Capital Markets and enhance economic resilience.

We expect this action to be a key one in helping capital markets better fulfill its role in developing economic and social growth going forward.

In Cairo, the Committee also defined three priority areas to work over the next 24 months.

The first one is Crisis Management. In this area, we plan to organize a second Crisis Management Simulation at our next annual meeting in early 2016. We also intend to develop a toolkit on Crisis Management and Contingency Planning. Initially, this toolkit would focus on Emerging Markets (EM) regulators.

The second priority area is Digitization and Innovation. Emerging Markets have the highest rate of adoption of new technology. By 2020, 60% of the data in the digital universe will be from Ems versus 40% in 2013! Also, EMs will account for 80% of smartphone connections. These changes brought by new technology will create significant opportunities for growth and inclusiveness in these economies. But they will also have potential implications for regulators on how we execute our mission of regulating and overseeing capital markets!

The scope of our work should include:

- i. an overview of digitization and innovation in the EMs;
- ii. an assessment of regulatory implications and challenges and;

- iii. provide guidance on regulatory measures to address digitization.

The last priority but not least important is Corporate Governance. We do not want to reinvent principles of Corporate Governance. These principles, by the way, have just been reviewed by OECD and should be endorsed by the G20 before year end. However, poor and fragile frameworks of Corporate Governance lead to severe and material cases of misconduct. Those have shown to trigger a negative impact on the level of confidence investors need in order to feel protected and consequently impact the effectiveness of capital markets as a whole!

As a result, we should discuss the key concerns we have in this area and what should be our best role as regulators of conduct in monitoring the adoption of the best principles of corporate governance in our markets. We are encouraged by the work already being performed by the IOSCO Board through the Task Force that is discussing Audit Quality, a topic that is one of the pillars for solid Corporate Governance.

As we brought these three priorities to the IOSCO Board in London, they confirmed our view but they understood that these three topics should not be limited to EMs as they affect all markets. In that sense, the Board has asked the GEM to lead the efforts in preparing a proposal for mandate for each one of these priorities but develop a joint work plan with the Developed economies. With that in mind, we will be drafting these mandates to present them at the next Board Meeting in Toronto this coming October.

We are pleased with the idea of eventually work our priorities through task forces or committees that will bring together approaches from both EMS and Developed Economies on such important key issues!

Finally, we reconfirmed in Cairo our continuous focus on Capacity Building and our support in setting up regional capacity building hubs.

We also welcome the workshop on SMEs that IOSCO is planning to occur together with the IOSCO Board Meeting in Toronto this coming October. We understand that the GEM members, as demonstrated in the SME report, have significant value to add to these discussions!

The next GEM Annual Meeting and Conference will be held in the first quarter of 2016 in Bali, Indonesia where the Indonesia Financial Services Authority will be hosting us. We also should have a GEM Steering Committee meeting in October in Toronto.

In summary, the GEM Committee, following the Cairo Meeting is off to a consistent and clear agenda going forward with three top priorities (Crisis Management, Digitization and Corporate Governance) and its continuous effort on enhancing Capacity Building for our members.

We are confident that our work at the GEM strengthens IOSCO's position as the key global reference point for capital markets regulation in order to protect investors, maintain fair, efficient and transparent markets and also have the ability to proactively identify and address emerging and systemic risks.

Thank you!