



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

20 April 2011

Opening Ceremony
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Opening Remarks

20 April 2011

Speech by

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Chairman,

Executive Committee

International Organization of Securities Commissions

and

Chairman

New Zealand Securities Commission

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Good afternoon. It's wonderful to be back here in South Africa, in the beautiful city of Cape Town, and I thank the Financial Services Board of South Africa for so warmly inviting us here for our 36th annual conference.

It's an honour, too, to be sharing this platform with such distinguished company.

And it's so very appropriate for us all to be meeting here at this traditional meeting point of East, West and Africa to address so many issues pertaining to the massive shifts underway in the global economy.



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Today, as we will discuss over the coming sessions, the economic energy traffic flows both ways to a far greater extent.

Today Cape Town, it is a vital economic hub, and the most entrepreneurial city in Africa. Not surprisingly, it is also one of the most multicultural cities in the world

I am acutely aware that, here, we are in a part of the world where the future is being forged.

The shift in the global financial landscape

The first 10 years of this century have seen cataclysmic changes in the financial landscape, of which the global financial crisis was the most disastrous. It served, though, to highlight a dramatic shift that has seen the centre of gravity of the global economy move from west to east, and north to south.

Recently, a Johannesburg economist¹ stated quite unequivocally that developed markets had had their day. She said their structural imbalances, deep-seated issues, and ageing populations all fed into projections for growth that looked less than impressive next to those of what used to be called “emerging markets”.

I disagree with her perspective. I see her “Old World” markets still exhibiting considerable strength and resilience as they emerge from the crisis.

Rather, I agree with President of the World Bank Robert B Zoellick, who has said that those old labels of ‘first’, ‘second’, and ‘third’ worlds should be consigned to history. He said we must recognise that “the presumptions that knowledge and power must flow from North to South, West to East, rich to poor, no longer hold”².

The evidence that the traditional dichotomies are neither accurate nor useful is right in front of us. Countries like South Africa, China, India and Brazil are now taking their place as leaders of a truly global economy.

IOSCO has been ahead of the curve in recognising this truth. It understands that all countries need to work together to set global standards, each bringing its own intellect and capacity to the table.

¹ Katherine Pulvermacher, Associate Director, *The Economist* Group; Insights from the Recent *The Economist* Magazine's Intelligence Unit debate on African Growth held in Johannesburg, video available at <http://www.fin24.com/Galleries/Video/Video%20Home/UnBoxing/Business%20my%20way%20Adrian%20Gore/894364ea477f46b2aa7d7ba869143192/The-Economists-Thoughts-on-Africa>

² Robert B Zoellick, “The Middle East and North Africa: A New Social Contract for Development”, delivered at the Peterson Institute for International Economics, Washington, DC, April 6, 2011, available at http://www.iie.com/events/event_detail.cfm?EventID=176



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The organisation has successfully restructured itself to reflect this 21st century shift. We are modelling it in the new structure approved by the President's Committee just this morning, and in a new funding base.

I congratulate IOSCO on the significant achievement of reconfiguring itself to address the challenges of the 21st Century and the fact that it was achieved here in this dynamic 21st Century country!

Recognition of the importance of markets to economic stability

An equally important 21st century reality is the recognition of the crucial role markets play in economic stability.

IOSCO is keenly aware of systemic risk. We know that securities markets do not, as many market participants once fondly believed, regulate themselves: regulation must play its part – regulation that aims at sustaining the financial system and preventing individuals and businesses from exploiting and weakening it, even bringing it to its knees.

This crucial insight has informed our work and will continue to do so.

Its most significant expression has been the initiation and development of the IOSCO principles for securities markets regulation,³ first endorsed in 1998, and later complemented by a related IOSCO assessment methodology.

The power of the IOSCO principles lies in the fact that they are high level, globally agreed and nationally applicable. Unlike some other global multilateral efforts which have stalled, IOSCO has made significant progress in global standard setting and having these standards successfully implemented with similar effects all around the world.

Formulating the principles was an important step, but what has been just as important is that we did not then sit back and consider the principles, as they were first formulated, to be set in stone.

We recognised that, to keep pace with market developments and changes in regulatory thinking, the principles had to be fleshed out, had to evolve.

We also saw that we needed a new transparent methodology that would properly measure their equivalent implementation around the world. That methodology has also made significant progress at this conference.

Just last year in Canada IOSCO endorsed eight new principles. Two of these directly address systemic risks in markets; the others encourage regulatory reach into darker areas of market activity, such as hedge funds, credit rating agencies and auditor independence and oversight.



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An organisation for the 21st century

These then are the new facts of 21st century economic life – the changing dynamic that has seen a forceful swing from north to south and west to east, the emergence of a truly global economy with ever-deeper interdependencies, and from this springs our heightened vulnerability to systemic risk and the imperative of addressing it.

This organisation has been at the cutting edge of acknowledging and working with these new facts. It understands that the days of each jurisdiction standing alone in capital market regulation are gone if we want to maintain a healthy, stable global economy.

This perspective is the source of our considerable international authority and influence, and our acceptance as the global standards setter. It is why we have two seats on the Financial Stability Board (FSB).

It is why the G20 has mandated full implementation of the IOSCO Principles in every G20 country and encouraged their use in all others and invited us to a recent G20 meeting.

As Robert B Zoellick says, “Rather than just talk about what we do know, we should worry about what we do not know.”⁴ I am sure we would all agree with him.

It’s such fearless open-mindedness and a willingness to grapple with the new realities that, above all else, marks out IOSCO as a true 21st century organisation.

Thank you.

⁴ Robert B Zoellick *ibid*.