



27th IOSCO Annual Conference
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Opening Ceremony
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Emerging Markets Committee

Your Excellency
Distinguished guests,
Fellow regulators,
Ladies and Gentlemen,

First I would like to compliment our Turkish hosts for the impressive preparation and hospitality for this Annual Conference.

Being in this great city that straddles Europe and Asia and boasts views of the magnificent Aya Sofya and the Blue Mosque, I feel that there is no other place that can be better matched with the phrase “where East meet West” than Istanbul.

The theme of this Conference is “Globalization: Opportunities and Challenges”. For emerging markets, while it is true that globalization can bring great opportunities which I do not need to stress here, I think the key word is “challenges”. And the kind of challenges emerging markets need to be mindful of may be of a different nature from those experienced by their developed counterparts.

The first challenge is that, while many say that the global economy is fast-changing and fast-moving, I think the integration into the global environment for some can be a slow

and gradual process. It is necessarily so because in the end we are talking about humans. Technology alone cannot overcome the deep-rooted cultural belief and social norm. Socio-economic factors and family values can be a meaningful driver of the choice of fund mobilization. This helps explain why capital markets in some countries are more developed than others. The kind of questions most emerging markets regulators are still grappling with, for examples, how to launch a market, how to encourage companies to finance their development through the securities market, how to improve the understanding of investors and create an equity culture, all point to my statement about slow integration.

The second challenge is the fact that the gap is getting wider as capital attracts more capital, liquidity begets liquidity, and some of the smaller markets are becoming marginalized.

Governments of countries with smaller markets must strive to meet requirements imposed by even a single large institutional investor from a developed market. An emerging markets regulator may sometimes have to deal with a securities firm that is part of a conglomerate that handles an asset size larger than its entire GDP. In a nutshell, emerging markets must play a game whose rules are set by their much larger peers from another league.

The third challenge is that, in order for participants in the domestic markets to succeed in a fully globalized environment, government authorities are bound to make a policy trade-off with other objectives which may be just as important, if not even more important, to them. A case in point is that of cross-trading and exchange alliance, the benefits of which could not be fully realized without freer capital mobility, which is already a tough question on its own.

This doesn't mean that I do not value the benefit that global capital can bring in the development of an emerging market economy. In fact global capital can do great things to a country if that country has a clear goal of how that capital should be put to use and can properly manage the consequences of its coming and going. I merely would like to caution that embracing globalization is a choice that is to be made with care.

I believe market regulation and development is an art and not a science, and each market should develop its own set of policy combination to accomplish its own national agenda rather than copying from the recipe of another. In spite of this, IOSCO still plays a very important role in providing the diversity of perspectives and the opportunities to learn from the experiences of those who have been there first, so that not every wheel needs to be reinvented.

Combining regulators from all over the world, IOSCO helps to ensure that the rules and regulations of the global economy are flexible enough to allow individual developing countries to make their own initiatives of development policy choices. It has been a privilege and an honor for me to be a part of this organization and to serve the Emerging Markets Committee.

On behalf of the Emerging Markets Committee, I wish to thank the Capital Markets Board of Turkey for hosting this memorable event.

Thank you for your attention.